

**HAROLD WILSON,  
WHITEHALL AND BRITISH  
POLICY TOWARDS THE  
EUROPEAN COMMUNITY,  
1964-1967**

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## Abstract

Britain's second attempt to seek membership of the European Economic Community (EEC) in 1967 has widely been regarded as inevitable. This thesis traces the development of Britain's policy towards the EEC from the accession of the Labour Government in 1964 to the failure of the application for membership in December 1967. Drawing primarily on official British records, it takes as its premise that policy decisions must be reconstructed as they appeared to participants at the time. It therefore places as central the roles and attitudes of key ministers and officials. It seeks to elucidate three main historical themes. First, by assessing the detailed progress of policy, it examines Harold Wilson's own ambiguous attitude towards European membership. Second, it considers how the British approached the Community, analysing Cabinet's acceptance of the policy as well as the conduct of Britain's diplomacy towards the members of the Six. Third, it places Britain's turn to Europe within the context of wider decisions about Britain's foreign and economic policies. It shows that Wilson's policy towards membership of the EEC developed only gradually and under duress, as he initially hoped to create a free trade area in Europe. Wilson did agree to study the implications of membership early in 1966, yet the decisive turning point was the July 1966 sterling crisis. It offers a new interpretation of Britain's approach to the Community, arguing that Wilson's attitude towards the terms of entry emerged only gradually. Britain's diplomacy with the Six foundered on Britain's economic weakness and the ability of General de Gaulle to manipulate his European partners. Although this was a period of considerable transformation in Britain's global orientation, British policy did not represent a decisive break with the past. Decisions were taken reluctantly and piecemeal, in response to economic crisis.

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## Acknowledgements

This thesis would not have been possible without the support of a number of institutions and people. First, I wish to thank my two supervisors, Dr. James Ellison and Professor Peter Hennessy, who have encouraged me throughout my period of research. Peter's enthusiasm was responsible for embarking me on the project in the first place and has remained a source of inspiration throughout, but particular thanks are reserved for James, whose constant support, encouragement and comments have been invaluable. I wish also to thank the staff at the Institute of Contemporary British History, in particular Dr. Harriet Jones, for much more than the desk space provided during a difficult period of my third year. Other members of Queen Mary History Department have been very supportive and I have gained tremendously from my employment at both Queen Mary and King's College, London.

Thanks also go to the British Federation of Women Graduates Charitable Foundation for funding much of my fourth year and to Queen Mary History Department Stretton Fund for a research grant. I would also like to thank the staff of various libraries and archives, mainly the Public Record Office in Kew, the Modern Records Reading Room of the Bodleian Library, the British Library and Queen Mary Library, but also the Bank of England Archive, the Labour Party Archive, the LSE Archive and the Churchill College Archive Centre. Particular thanks to Jane Reilly for granting me permission to quote from the papers of Sir Patrick Reilly. Several participants have also been kind enough to allow me to interview them: thanks to the late Sir Patrick Reilly, Lord Peter Shore and Sir Norman Statham and also to Sir Derek Mitchell, Lord Eric Roll, Lord George Thomson and most particularly to Sir Michael Palliser.

I would also like to thank all my friends for bearing with me throughout the last five years. Special thanks to Kay Arthur, Grace Chapman, Sue Fisher, Rebecca Gillieron, Liz Piper and Amanda Singh for support and distraction in equal measure. My warmest thanks go to my family, my sister Marian and in particular my parents, Harmer and Vivien, without whom this project would never have been possible and who have supported me in all aspects of my life. Finally thanks to Gavin, for many things: now it's my turn to do the cooking.

This thesis is dedicated to two people who have had a huge influence on the course of my life. To my uncle, David Parr, whose death in the Falklands Conflict in 1982 sparked my desire to study British political history and to my grandmother, Joy Parr, who died on 28 December 2000. Her courage and humour continue to inspire me.



## List of Abbreviations

ANF	Atlantic Nuclear Force
ASP	American Selling Price
CAP	Common Agricultural Policy
CBI	Confederation of British Industry
CET	Common External Tariff
DEA	Department of Economic Affairs
ECSC	European Coal and Steel Community
EEC	European Economic Community
EEOD	European Economic Organisations Department, Foreign Office
EEID	European Economic Integration Department, Foreign Office
EFTA	European Free Trade Association
ELDO	European Launcher Development Organisation
G10	Group of Ten
GATT	General Agreement on Tariffs and Trade
IAEA	International Atomic Energy Authority
IMF	International Monetary Fund
MAFF	Ministry of Agriculture, Fisheries and Food
MLF	Multi-Lateral Force
NATO	North Atlantic Treaty Organisation
NFU	National Farmers' Union
NPT	Non-Proliferation Treaty
NPG	Nuclear Planning Group
NRDC	National Research and Development Corporation
OECD	Organisation of European Co-operation and Development
OPD	Overseas Defence and Policy Committee
SACEUR	Supreme Allied Commander (Europe)
TUC	Trades Union Congress
UNCTAD	United Nations Conference on Trade and Development
WEU	Western European Union
WOCD	Western Organisations and Co-operation Department, Foreign Office

## Introduction

The sterling crisis of July 1966 has been seen as a turning point in British post-war history. Faced with a choice between devaluing the pound and deflating the economy, Britain's Prime Minister, Harold Wilson, chose deflation. In so doing, he effectively ended the Labour government's economic planning experiment, subordinating the policy goal of economic growth and social expenditure to defence of the parity of the pound. Keith Middlemas has written:

it could be seen from the standpoint of July 1966 that neither of the attempts to create economic equilibrium through a revival of the post-war network of obligations gave much hope that Britain could support the greatly extended level of welfare services embodied in Labour's 1964 manifesto on a declining industrial base.<sup>1</sup>

The crisis broke the trust of the unions and industry in the Labour government's programme, undermining the 'tripartite consensus' upon which the post-war settlement was based.

Labour Ministers would therefore either have to draw support from their mass electorate against the institutions, in a sort of populism rarely seen in British politics since the early part of the twentieth century; or side with one or more of the institutions against another, in a form of exclusion strategy, likely to undermine the essentials of tripartism.<sup>2</sup>

July 1966 was more than a crisis of economic policy. It led directly to intense questioning about Britain's world role and the responsibilities of the

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<sup>1</sup> Keith Middlemas, *Power, Competition and the State, vol 2: Threats to the Post-War Settlement, 1961-74* (London: Macmillan, 1990), p.148

<sup>2</sup> *ibid.*, p.146

government at home and it ended many of the aspirations of the British left. As David Marquand has commented: 'At a great rally at the beginning of the 1964 election, Wilson called for men with fire in their bellies and humanity in their hearts. Whatever might be said in the Government's defence in 1970, no-one could seriously pretend that the fires were still alight'.<sup>3</sup>

The political and economic predicament in the summer of 1966 did not cause Labour to turn to Europe, but it brought the simmering proposals for a possible membership bid to a decisive point. Before July 1966, the government was making cautious advances to the Community, aware of the likelihood of a second Gaullist bar to British accession. After it, Harold Wilson harnessed himself firmly to the government's new direction, seeking the unlikely goal of entry in the short-term. Sterling's plight changed the character of the initiative. It enhanced the state of desperation with which the British approached their European partners and determined the way in which participants and observers viewed the attempt. July 1966 ended the expectation that Britain could play a role on the international stage while providing satisfactory growth and welfare at home. This was 'Labour's Suez'<sup>4</sup> and in its aftermath, the British turned to Europe. The second attempt to accede to the EEC built a widespread consensus amongst Britain's political elite in favour of a future in Europe. With a majority in the House of Commons on 10 May 1967 of 488 votes to 62, 'the second try assembled, for the first time, a critical mass of support among the political class for the

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<sup>3</sup> David Marquand, *The Progressive Dilemma: From Lloyd-George to Kinnock* (London: Heinemann, 1991), p.159

<sup>4</sup> Ben Pimlott, *Harold Wilson* (London: HarperCollins, 1993), p.428

proposition that Britain should become a European country'.<sup>5</sup> Could it be then, that Harold Wilson's application for membership marked the moment at which the British laid to rest the traditional conceptions of Britain's international foreign and economic policies and found instead a scaled-down, essentially European, post-war role?

This thesis seeks to assess the formation and execution of British national strategy at a time of unusual crisis and change in British policy-making. It aims to contribute to three important historiographical questions. First, why Wilson turned to Europe, particularly at a time when it seemed impossible to achieve membership of the Community in the short run. Secondly, how the British approached the Community after the humiliating failure of Harold Macmillan's negotiations for membership of 1961-1963. Thirdly, what was the place of European policy in wider policy: was there an overarching strategy in the reorientation of Britain from a global to a European power?

The first consideration is why Wilson apparently changed his mind on Europe in 1966. Literature on Wilson paints an unerring picture of a 'complex... manipulative, secretive' character whose attitudes were notoriously difficult to specify.<sup>6</sup> There are currently virtually no accounts of Wilson's policy development based on Whitehall documents. Two articles on the second European initiative appeared in the late 1960s. Cynthia Frey analysed the position of domestic interest groups to European membership. She concluded that Wilson had never been doctrinaire about Europe and

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<sup>5</sup> Hugo Young, *This Blessed Plot: Britain and Europe from Churchill to Blair* (London: Macmillan, 1998), p.197

sincerely wanted Community membership, confirmed by his concentration on the political issues.<sup>7</sup> Françoise de la Serre argued that Britain's decision resulted from a lack of alternatives, as the government realised the weakness of the Commonwealth and EFTA and began to disengage from a defence role East of Suez. Problems with the balance of payments also had a role to play.<sup>8</sup>

Miriam Camps published a comprehensive work on developments in the Community and in Britain between the veto of 1963 and the empty chair crisis of 1965, when the French refused to participate in Community institutions. She captured well Wilson's ambivalence in the first term of office, explaining the growth of interest in eventual membership throughout 1965, but pointing out Wilson's uncertainty: 'It seems doubtful whether he has yet formulated any very clear European objectives beyond the rather grudging conclusion, perhaps best expressed in double negatives, that in the long term the United Kingdom cannot afford not to become a member of a European economic community'.<sup>9</sup> Camps' work was written before Britain applied for membership a second time. It therefore only offers a partial explanation of policy development. Uwe Kitzinger has also produced two books on the second attempt to get into Europe. *The Second Try* is a useful collection of sources and *Diplomacy and Persuasion: How Britain Joined the Common Market* surveys domestic political opinion.<sup>10</sup> Kitzinger confirmed the

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<sup>6</sup> J. W. Young, *Britain and European Unity, 1945-1992* (London: Macmillan, 1993), p.88

<sup>7</sup> Cynthia W. Frey, 'Meaning Business: The British Application to Join the Common Market, November 1966-October 1967', *Journal Common Market Studies*, vol.6, 1967-1968, pp.197-230

<sup>8</sup> Françoise De la Serre, 'La Position Britannique', *Revue Française de Science Politique*, vol. 18, no. 2 (1968), pp.886-898

<sup>9</sup> Miriam Camps, *European Unification in the Sixties: From the Veto to the Crisis* (Oxford: Oxford University Press, 1967), p.192

<sup>10</sup> Uwe Kitzinger, *The Second Try: Labour and the EEC* (London: Pergamon Press, 1968); Uwe Kitzinger, *Diplomacy and Persuasion: How Britain Joined the Common Market* (London: Thames and Hudson, 1973)

favourable view of Wilson presented by Frey, arguing that it was only the 1970 election defeat that prevented Wilson from collecting ‘the prizes for European statesmanship that several foundations lavished on Edward Heath at the end of 1971’.<sup>11</sup> Helen Wallace’s unpublished PhD thesis, completed in 1975, also offers very full survey of the second initiative. Wallace focused on the question of how the British approached membership. Based on interviews with leading participants, Wallace also interpreted Wilson’s policy development in ambiguous terms:

quite early Wilson’s initial aversion to Community membership began to disappear. Once this had happened a succession of events during 1964-1966 began to persuade him of the attractions of a new approach to Europe and after the 1966 election a vague sympathy for a new approach was transmuted into a firm resolve, to which Wilson became increasingly committed later in 1966. After this stage had been reached the policy of seeking British membership became clearly identified with a Prime Ministerial initiative, rather than an issue on which the Prime Minister happened to share the view of certain of his colleagues.<sup>12</sup>

The assumption behind the early work on Wilson’s turn to Europe is a sense of inevitability. Robert J. Lieber, in his study of domestic pressure groups, commented that ‘for the Labour government, the progression towards Europe was a story of collapsing alternatives’.<sup>13</sup> De la Serre shared this view, arguing that Wilson’s application for membership was the inexorable consequence of the ‘experience of power’. In opposition, Wilson had

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<sup>11</sup> Kitzinger, *Diplomacy*, *ibid.*, p.293

<sup>12</sup> Helen Wallace, *The Domestic Policy Making Implications of the Labour Government’s Application for Membership of the EEC, 1964-1970* (Manchester University: Unpublished PhD Thesis, May 1975), p.160

<sup>13</sup> Robert Lieber, *British Politics and European Unity: Parties, Elites and Pressure Groups* (Berkeley: University of California Press, 1970), p.261

overestimated Britain's power in the world.<sup>14</sup> As soon as Labour's political perceptions caught up with the economic realities of Britain's position, the administration was bound to turn to Europe. Wallace also argued that 'interdependence' was inescapable and necessary.<sup>15</sup> Miriam Camps displays the contemporary preoccupation with Dean Acheson's 1962 pronouncement that Britain had 'lost an Empire and not yet found a role': 'by 1965 such a statement would have been regarded as so obvious that it would probably have passed unnoticed'.<sup>16</sup> She also went on to interpret policy developments through the lens of the unsatisfactory nature of the EFTA and Commonwealth alternatives.<sup>17</sup>

Contemporary accounts share an assumption with the literature of Britain's decline from great power status, that the relative contraction of Britain's economic power meant that there was an external reality to which political perceptions would eventually adjust.<sup>18</sup> In this interpretation, Europe was the only course and one that did reflect a realisation of the 'realities' of Britain's position. The sense of inevitability survives into contemporary historiography. David Reynolds has argued 'Harold Wilson conducted traditionalist globalist foreign policy against background of growing economic weakness: going round in ever decreasing circles into the vortex of 1967-1968'.<sup>19</sup> There has been a related feeling of pointlessness attached to coverage of the second application, owing to the likelihood that de Gaulle would veto.

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<sup>14</sup> De la Serre, 'La Position', *op.cit.*, p.890

<sup>15</sup> Wallace, *Domestic*, *op.cit.*, p.140

<sup>16</sup> Camps, *European*, *op.cit.*, p.161

<sup>17</sup> *ibid.*, pp.170-176, esp. p.175

<sup>18</sup> F. S. Northedge, *Descent from Power: British Foreign Policy, 1945-1973* (London: George Allen and Unwin, 1974), p.347; Robert Holland, *The Pursuit of Greatness: Britain and the World Role, 1900-1970* (London: Fontana Press, 1971), p.10

<sup>19</sup> David Reynolds, *Britannia Overruled: British Policy and World Power in the Twentieth Century* (London: Longman, 1991), p.190

Wolfram Kaiser has argued that Wilson's bid was a calculated attempt to isolate de Gaulle in Europe, outflank Edward Heath domestically and to keep the Labour Party united.<sup>20</sup>

The only major historical survey of Wilson's policy that suggests a more complex analysis is that offered by John Young in his overview of Britain's policy since 1945. Young returns to the ambivalence suggested by Wallace and Camps, but argues that Wilson intended to turn to Europe at some point between 1964 and 1966. The Prime Minister cleverly hid his intentions from his colleagues for domestic political reasons, edging the Cabinet gradually towards acceptance of the application on the basis that there was no viable alternative.<sup>21</sup> A collection of papers given at a conference in early 2000 is to be published on aspects of the second membership bid. This book, edited by Oliver Daddow, follows the approach of several collections of essays on the first application, examining themes of British European policy.<sup>22</sup> It does not attempt to address the chronological development of policy, nor Wilson's own policy changes. This thesis aims to reassess the sense of inevitability running through the literature by reconstructing the government's perceptions of national interest as they appeared at the time. It emphasises the pressures on the Prime Minister and the gradual development of policy. It adds to Young's interpretation, showing that although there were indications of a European

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<sup>20</sup> Wolfram Kaiser, 'Party Games: The British EEC Applications of 1961 and 1967', Roger Broad and Virginia Preston (eds), *Moored to the Continent: Britain and European Integration* (London: Institute of Historical Research, 2001), pp.70-72

<sup>21</sup> Young, *Britain*, *op.cit.*, pp.86-93, esp. p.88

<sup>22</sup> Oliver Daddow (ed.), *Harold Wilson and European Integration: Britain's Second Application to Join the EEC* (London: Frank Cass, forthcoming); for collections of essays on the first application see Anne Deighton and Alan Milward (eds), *Widening, Deepening and Acceleration: The European Economic Community, 1957-63* (Brussels: Bruylant, 1999); George Wilkes (ed.), *Britain's Failure to Enter the European Community 1961-3* (London: Frank Cass, 1997); R. T. Griffiths and Stewart Ward (eds), *Courting the Common Market. The First Attempt to Enlarge the European Community 1961-3* (London: Lothian, 1996)



policy from early in 1965, these did not lead inextricably to the membership initiative in October 1966. The July sterling crisis, although not causing the government's shift of attitudes towards Europe, was central to the formation of its membership bid.

The second historiographical theme is the question of how the British approached the Community. This question emerged from study of the Foreign Office files, in which the preoccupation of officials with strategy and diplomacy is clear. Yet, it is also pertinent to historiography of Britain's relations with the European Community. There are two main concerns. First, commentators such as Helen Wallace and Jacqueline Tratt have addressed the issue of how the British political class coped with interdependence. Wallace argues that in order to gain acceptance of European membership from the Cabinet and public, the Wilson government obscured the true nature of membership. The need to appeal to opinion in Brussels meant that ministers could never reveal decisions until after their confirmation in the European arena. This obfuscation was possible because decision-making was concentrated in the hands of a small number of 'pro' European officials and ministers, reflecting the growth of central control over policy.<sup>23</sup> Tratt adopts a similar approach, arguing that ministers and officials exploited the 'formal and informal' power-structures of the state to foist an unpopular decision on the public.<sup>24</sup> This approach suffers from several assumptions. As Wallace admits, it sees the eventual acceptance of 'interdependence' as inevitable and so interprets policy-makers as working to facilitate the end-goal of policy.<sup>25</sup> It

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<sup>23</sup> Wallace, *Domestic*, *op cit.*, pp.345-348

<sup>24</sup> Jacqueline Tratt, *The Macmillan Government and Europe: A Study in the Process of Policy Development* (London: Macmillan, 1996), pp.188-201

<sup>25</sup> Wallace, *Domestic*, *op.cit.*, p.347

also relies on the knowledge of hindsight. The opposition to European membership in the 1970s meant that Labour's decision in 1967 was seen as a temporary lid on underlying hostility. The question was how did Wilson reign in the opposition, rather than why the Cabinet agreed. This thesis adopts a different methodological approach, seeking to outline the development of tactics at the time. It argues that Wilson's tactics did have a role to play in manoeuvring the Cabinet into a corner, but that ministers did thoroughly discuss the implications of European membership. Disagreement arose less because of the way in which the decision was taken, than because of the intractable nature of the problems involved.

Secondly, historians have criticised Britain's diplomacy with the Six. Beginning with the Free Trade Area negotiations between 1957-8, the British over-estimated their bargaining power with the Six and underestimated the importance to the Six of their Common Market plans.<sup>26</sup> Milward for one has argued that the British had an enduringly political conception of the Community, failing to understand the importance of the economic provisions to each of the member states. 'The startling absence of genuine comparison with any other European country in the many memoranda and analyses of Britain's economic position gives the impression of a hermetically sealed system with so little outward vision that no understanding of European developments could be possible'.<sup>27</sup> Wolfram Kaiser has intimated that Britain's political diplomacy with the Six contributed to the failure of the Brussels negotiations. Kaiser suggests that Macmillan knew the negotiations would fail from the outset, but went through them anyway in order to appease

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<sup>26</sup> James Ellison, *Threatening Europe: Britain and the Creation of the European Community, 1955-58* (London: Macmillan, 2000), pp.225-235

American opinion. Europe was the bargaining counter enabling Macmillan to secure Polaris missiles from President Kennedy. Consequently, there was no tempting offer with which Macmillan could lure de Gaulle to agree to British accession.<sup>28</sup> Others have agreed that Macmillan's turn to Europe was part of a Grand Design to sustain the British independent nuclear deterrent and influence in the United States. In this interpretation, Britain's failure to get into the Common Market resulted from a mixture of British delusion and duplicity in hoping to deal with both the USA and the French at the same time.<sup>29</sup> This interpretation is grounded in the view that the British were insufficiently European-minded, eager to satisfy the needs of traditional diplomacy and the domestic political audience before European opinion. Deighton writes: 'the conditionality of the negotiation package created a sense of a reluctant applicant... the first application was dogged by the consequences of a decade of arrogant Conservative European policy'.<sup>30</sup>

Despite this, as Ludlow notes, British writers have largely exonerated Macmillan from blame, interpreting the failure of Brussels as inevitable at the hands of the anti-Atlanticist de Gaulle.<sup>31</sup> This, Ludlow shows, is misplaced. Based on a comprehensive reading of the Community's Council of Ministers archive, Ludlow argues that the British fought and lost the battle for accession not in Nassau and Rambouillet, but in Brussels. It was only because of the

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<sup>27</sup> Alan Milward, *The European Rescue of the Nation State* (London: Routledge, 1992), p.431

<sup>28</sup> Wolfram Kaiser, *Using Europe, Abusing the Europeans: Britain and European Integration, 1945-1963* (London: Macmillan, 1996), pp.174-203

<sup>29</sup> In particular, Simona Toschi, 'Washington - London - Paris: An Untenable Triangle', *Journal of European Integration History*, vol. 1 (1995), pp.81-109, esp. p.109; Anne Deighton and N. Piers Ludlow, 'A Conditional Application: British Management of the First Attempt to Seek Membership of the EEC', Anne Deighton (ed.), *Building Post-War Europe: National Decision Makers and European Institutions, 1948-1963* (London: Macmillan, 1995), pp.116-120

<sup>30</sup> Deighton and Ludlow, 'Conditional', *ibid.*, pp.121-122

uncertainties and equivocations of the Brussels talks that de Gaulle was able to legitimate his veto in 1963, avoiding an explicitly political breach by blaming the breakdown on the impasse in the negotiations.<sup>32</sup> This interpretation places as central the way in which the British conducted their diplomacy with the Six as a unit. It was not just the demands Britain made – settling the ‘conditions’ of membership before agreeing to accession – but also that the British failed to react with sufficient flexibility during the negotiations. Thus, while the Community understood Britain’s need to make specific requests to satisfy a domestic political audience, they had also developed a faith in their own body of legislation: the *acquis communautaire*.<sup>33</sup> In this way, the issue is less Britain’s defence of traditional interests, than the fact that the British failed to gain diplomatic advantage despite the widespread support of the Five for their membership. This thesis accordingly aims to assess the way in which British officials and ministers understood the Community system and to show how Britain dealt with the Six. It argues that the second application met many criticisms of the first, minimising emphasis on the economic conditions of membership and creating a convincing political case in favour of accession. Nevertheless, Wilson and Brown continued to overestimate Britain’s political bargaining power with the Six. Unlike the first application, de Gaulle was in a position of greater strength and cared less about international opinion, but was able to avoid an expressly political veto because of the weaknesses of Britain’s economy.

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<sup>31</sup> N. Piers Ludlow, ‘A Mismanaged Application: Britain and the EEC, 1961-1963’, Deighton and Milward (eds), *Widening, op.cit.*, pp.271-287

<sup>32</sup> N. Piers Ludlow, *Dealing with Britain: The Six and the First UK Application to the EEC* (Cambridge: Cambridge University Press, 1997), pp.206-212

<sup>33</sup> *ibid.*, pp.233-252

The third theme is the place of European policy in the context of wider foreign policy as Britain's role continued to shift from a global to a regional perspective. Historians have disputed whether the turn to Europe was a revolution in policy or a variation in tactics to achieve constant aims. David Reynolds sees revolution in Wilson's transition: 'the revolution in financial and defence priorities between 1967-1968 reflected a more fundamental reorientation of Labour's priorities towards Europe'.<sup>34</sup> Others have suggested of earlier turns to Europe that there was no revolution, rather, the British were forced to adopt increasingly radical methods in order to sustain influence internationally and in the USA. Ellison writes: 'the first application was not a radical turning point in the development of British policy. It represented a shift in tactics to secure traditional goals'.<sup>35</sup>

These ideas relate closely to the historiography on Britain's retreat from Empire. Recent commentary challenges the traditional view that political perceptions shifted reluctantly to meet economic realities. Saki Dockrill, Christopher and Gillian Staerck and Ursula Lehmkuhl have all argued that while economic constraints set the boundaries for British policy, immediate decisions were made for political or strategic reasons.<sup>36</sup> Politically, the British wished to pull out of some areas in order to avoid the threat of nationalist uprising. In other areas, as recent research shows, political interests dictated an

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<sup>34</sup> Reynolds, *Britannia*, *op cit.*, p.217

<sup>35</sup> James Ellison, 'Accepting the Inevitable: Britain and European Integration', Wolfram Kaiser and Gillian Staerck (eds), *Contracting Options: British Foreign Policy, 1955-64* (London: Macmillan, 2000), p.182

<sup>36</sup> Saki Dockrill, 'The East of Suez decision', Paper Presented to Public Record Office, International History Conference, 22 Oct. 1999; Christopher Staerck and Gillian Staerck, 'The Realities behind Britain's Global Defence Strategy', Kaiser and Staerck (eds), *Contracting*, *ibid.*, pp.52-53; Ursula Lehmkuhl, 'Difficult Challenges: The Far East', *ibid.*, pp.257-259

enhancement of Britain's imperial strategy.<sup>37</sup> Jeffrey Pickering has argued that the precise nature of Britain's withdrawal from the Far East was determined by party political, domestic considerations.<sup>38</sup> This thesis does not contribute explicitly to these debates, but does show greater complexity to the management of Britain's reorientation from a global to a European power. The importance here is the place of Europe in these broader shifts: were the considerable changes to Britain's role between 1964 and 1967 a considered and deliberate strategy? To return to the original question, was this a decisive break with the past? This thesis argues that it was not: Europe and the end of Empire were both, in their own ways, responses to the crisis generated in July 1966.

The primary methodological objective of this thesis is to reconstruct the attitudes and policies of British policy-makers at the time. How did the British assess their national interest and did policies succeed in meeting their contemporary aims? This approach elevates the importance of the day-to-day development of policy, implicitly contradicting the view, expressed in so much of the survey literature, that the shifts in Britain's political overseas strategy were the inevitable culmination of relative economic decline.<sup>39</sup> It also places as central the roles of certain personalities, both ministerial and official, in effecting change. To do this, this thesis has drawn extensively on Whitehall sources in the Public Record Office, published memoirs and diaries, private

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<sup>37</sup> Spencer Mawby, 'Arab Nationalism and British Foreign Policy, 1945-1971', Paper Presented to Institute of Historical Research, Contemporary British History Seminar, 23 Jan. 2002

<sup>38</sup> Jeffrey Pickering, *Britain's Withdrawal from East of Suez: The Politics of Retrenchment* (London: Macmillan, 1998), pp.150-171

papers of officials and ministers, and the Bank of England archive. It has also consulted the Labour Party archive and the elements of the press for the period October 1964-December 1967. This thesis also draws on interviews with several important participants.

By far the most substantial source has been the government archive at the Public Record Office. The records of the Cabinet and the Prime Minister's Office provide the most comprehensive evidence of the process of policy development. Wilson's Cabinets have been noted for their verbosity. Peter Hennessy has written: 'Wilson had a penchant for letting the Cabinet ramble, encouraging all who wished to speak, doodling as they did so...and interjecting a little commentary when they finished before catching the eye of the next contributor...Wilson used prolixity as a weapon, allowing the Cabinet to talk itself out'.<sup>40</sup> Perhaps the best example of the use of prolixity was the decision to apply for membership, taken between April and May 1967. Minister of Transport Barbara Castle commented that 'the whole long drawn-out nonsense has been ruthlessly stage-managed, under the cover of the soothing phrase: it is of course for the Cabinet to decide'.<sup>41</sup> The result, as a source, is a remarkably full record of ministerial opinion. The also very comprehensive diary records of Richard Crossman, Barbara Castle and to a lesser extent, Tony Benn, have supplemented Cabinet records.<sup>42</sup>

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<sup>39</sup> Joseph Frankel, *British Foreign Policy 1945-1973* (London: Oxford University Press, 1973); Northedge, *Descent*, *op.cit.*

<sup>40</sup> Peter Hennessy, *The Prime Minister: The Office and its Holders since 1945* (London: Penguin, 2000), p.289

<sup>41</sup> Barbara Castle, *The Castle Diaries, 1964-1976* (London: Macmillan, 1990), p.125, 27 Apr. 1967

<sup>42</sup> Richard Crossman was Minister of Housing and Local Government 1964-August 1966 and Lord President of the Council and Leader of the House of Commons 1966-1968. Barbara Castle was Minister for Overseas Development 1964-December 1965 and then Minister of Transport. Tony Benn was moved from Post Master General into the Cabinet in July 1966 as Minister of Technology.

The development of Wilson's own policy towards the European Communities is a particularly complex issue, as until the beginning of the European initiative in October 1966, he was never at the forefront of policy-making. He also allowed different people to believe alternate views of his intentions. Peter Shore, Wilson's Parliamentary Private Secretary from 1965 to 1966 remained convinced of Wilson's insincerity in the approach to Europe, but Sir Michael Palliser, Wilson's Private Secretary from 1966, was sure that Wilson always intended to take Britain into Europe.<sup>43</sup> It is therefore difficult to pin his attitude with any real certainty, but the marginal comments he has made on files in the PREM series provide as clear an indication as any. Comments made to others, notably *The Guardian* editor Alastair Hetherington, with whom Wilson appeared to speak relatively frankly, can also provide the occasional insight.

Material from the Foreign Office has produced the broadest source of information. The sheer quantity of files in the European Economic Integration Department, renamed from the European Economic Organisations Department early in 1967, is testimony to the Foreign Office's leadership in Whitehall on European issues. This was a change from the late 1950s, when the Treasury and the Board of Trade had directed European policy.<sup>44</sup> Foreign Office dominance of policy formulation, although not necessarily policy development, provides a rich source for enquiry into the second theme of how Britain approached the Community. Leading Foreign Office officials, such as Sir Con O'Neill and John Robinson, worked on improving Britain's

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<sup>43</sup> Lord Peter Shore, Interview with author, 7 Dec. 1998; Sir Michael Palliser, Interview with author, 24 Aug. 1999

<sup>44</sup> John W. Young, 'British Officials and European Integration', Deighton (ed.), *Building*, *op.cit.*, p.87



diplomacy towards the Community in order to get around de Gaulle's veto. Their preoccupation raises interesting questions about the ways in which this emerging generation of officials, pointed up in the literature by Hugo Young, perceived Britain's power and place in the world.<sup>45</sup> To what extent was there a genuine shift in thinking about Britain's role? Foreign Office assessments of policy in the Community and in each of the member states also bear witness to the improvement of Britain's network of contacts on the continent. These assessments allow a level of understanding of events and policy in the Six, but this thesis does not attempt to analyse the policies of the Six from their own sources. However, it does illuminate the currents of opinion in the Six that encouraged consolidation of the Community before enlargement.

This thesis has consulted the files of the economic departments in Whitehall: principally the Treasury, Board of Trade, Department of Economic Affairs and the Ministry of Agriculture to a lesser extent. It does not attempt to elucidate economic policy as a whole, but to place European membership in the context of wider developments. Treasury and Board of Trade files pertaining to Europe often contained interdepartmental correspondence. This correspondence consisted largely of information on the Community sent from the Foreign Office and dominated by Sir Con O'Neill. In itself, this is useful evidence of the ascendancy of the Foreign Office and also of the existence of cross-departmental network of officials working towards the goal of eventual European membership. Yet, it does not easily distinguish a particular departmental policy or attitude. Furthermore, despite the pro-European agenda of the First Secretary of State and Secretary of State for Economic Affairs,

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<sup>45</sup> Young, *Blessed*, *op.cit.*, pp.172-213

George Brown, this thesis found little evidence in the DEA that European membership was part of an attempt to modernise Britain economically. DEA files comprised drafts and redrafts of papers on the 'economic implications' of membership, useful in themselves, but hardly showing a department at the forefront of strategy. Economic policy was most important during the July 1966 sterling crisis when economic and domestic political considerations had clear bearing on the course of European policy. Thus, economic policy and the domestic political environment have been extensively scrutinised at this point.

Private papers, Labour Party and Bank of England papers have supplemented the government records. Private papers can clearly offer additional clues as to the motivations of participants. In particular, the unpublished memoir of Sir Patrick Reilly, Britain's Ambassador in Paris during the period of the second application, is an excellent source. It traces the development of French attitudes towards the application and offers views of essential meetings between British and French ministers and of the attitudes and personalities of Wilson and Brown. The Bank's records were useful for the information provided into international liquidity negotiations, a neglected aspect of Britain's policies towards sterling and crucial also in Britain's relations with the French. The Bank archives also held papers apparently unavailable in the Treasury, for example the minutes of meetings in 1967 between Treasury and Bank officials on devaluation of sterling. There was little in the Labour Party archives for the period during which Labour was in government, but these papers provided some background on Labour's policies before taking office in October 1964. This thesis does not attempt a systematic study of thought within the Labour movement. Such a study exists in Roger

Broad's recently published book, *Labour's European Dilemmas*.<sup>46</sup> Newspaper reports, parliamentary records and interviews have further augmented this research, mainly in order to glean understanding of perceptions of Britain's policy in the wider political environment. The published records of the United States have been consulted to provide additional context.

Chapter One begins with an analysis of the way in which the incoming Labour administration perceived Britain's influence and power and examines the initial policy towards the EEC. It then assesses the attitudes of Whitehall departments to the EEC, drawing also on evidence from the immediate post-veto period. From 1965, there was a discernible shift in policy as the Foreign Office attempted to instigate a more positive approach to the EEC, leading ultimately to the bridge-building initiative in May 1965. Chapter One surveys the development of this policy, arguing that although it addressed many of the Foreign Office's concerns it cannot be seen as the first step in Wilson's turn to European membership. Chapter Two appraises the impact of the Community's empty chair crisis on British policy. It shows the interrelation between the agricultural breakdown and the issue of the Community's political and defence organisation and exposes the different reactions in Whitehall to the perceived opportunity to achieve membership. January 1966 marked the moment at which Wilson agreed to begin studies of eventual membership, but there were still many inconsistencies in British policy.

Chapter Three examines the development of European policy from the March 1966 election until early July 1966 when the French Prime Minister

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<sup>46</sup> Roger Broad, *Labour's European Dilemmas: From Bevin to Blair* (London: Palgrave, 2001)

and Foreign Minister Georges Pompidou and Maurice Couve de Murville, visited London. This period did mark an attempt by the British to embark on some kind of approach to the Community, but the road into the EEC appeared to be blocked. The chapter then considers the considerable impact of the July sterling crisis on policy, examining the origins of the crisis, the impact on domestic politics and the pressures therein created that increased the likelihood of an early initiative. It scrutinises the important Chequers meeting of 22 October, at which Wilson announced his intention to conduct a probe of the countries of the Six to see if the conditions existed for membership. One argument is that the British needed a new aspirational framework with which to convince the public that the government was capable of restoring economic growth.

Chapter Four examines the formation and conduct of the probe of the countries of the Six. It evaluates the Cabinet's decision in favour of the probe and addresses the question of whether and how ministers believed the European initiative could bring success. It then analyses the creation of strategy for and the content of each meeting, with more analysis of the important visits to Paris and Bonn. It argues that politically, the British made good advances on the tour and also managed to minimise the emphasis on the prior settlement of the 'conditions' of membership. Yet, the probe showed problems of a different nature, mainly the weakness of sterling and the risk that British entry would upset the arrangements already made in the Six. The Italians and Belgians made no secret of the fact that Britain would be unable to negotiate changes to the CAP; nevertheless, both Wilson and Brown continued to overestimate the political strength of Britain's position.

Chapter Five considers the Cabinet's meetings at which the decision to apply to Europe was made. It contemplates the treatment of the major conditions of membership, investigates Wilson's tactics in dealing with his ministerial colleagues and discusses the attitudes of different ministers. It argues that ministers accepted the application in an atmosphere of resignation, apprised of the case that there was no viable alternative but not convinced of the political or economic arguments on their merits.

Chapter Six contemplates the progress of the application. It starts with an analysis of de Gaulle's press conference on 16 May. It shows that the General was able to use the argument that British membership would change the nature of the Community to play on the Five's fears of disruption to the existing Community. In this way, the French were able to gain diplomatic advantage by postponing discussion of Britain's application until after the Six had discussed enlargement in principle. It then analyses Wilson's visit to de Gaulle in June 1967, arguing that Wilson believed he could woo the General, based on the technological and political bonuses British membership would bring. Wilson's strategy developed separately to that of the Foreign Secretary, George Brown. Brown based his approach on appealing to the Five by playing down the 'conditions' of membership, forcing a statement of Britain's negotiating position through the Cabinet. Brown's speech to the Western European Union on 4 July showed that the Five accepted the basic reasonableness of Britain's case, but showed also that there would be no early negotiations for membership. This chapter contends that de Gaulle was never likely to admit Britain, but he was able to avoid an explicitly political veto because of the Britain's economic weakness. It was only after the veto that the

British decided to accelerate the final withdrawal of military forces East of Suez, illustrating the disjointed approach to foreign policy reorientation.

## 1. Coping with the Community, October 1964 – May 1965

When the Labour administration took office in October 1964, Britain's policy towards EEC membership was at something of an impasse. First, the breakdown of the Brussels negotiations in 1963 had exposed the nature of General de Gaulle's policy, making it clear that France would not admit Britain.<sup>1</sup> Foreign-Secretary-to-be Patrick Gordon-Walker showed the centrality of de Gaulle's veto to Britain's thinking in discussions with the Italians in 1964: 'On the EEC I said we could not risk a second failure'.<sup>2</sup> Second, the Labour Government was far from reconciled as to the economic settlement under which Britain could accede to the EEC. Macmillan had attempted and failed to change the provisions of the Treaty of Rome before Britain agreed to join.<sup>3</sup> Labour's then leader Hugh Gaitskell had declared that even Macmillan's negotiating demands were insufficient to preserve Britain's essential interests. He established instead five conditions that would have to be settled before Britain entered. These were safeguards for EFTA, the Commonwealth and British agriculture and freedom for British economic and foreign policy.<sup>4</sup> These conditions of membership were the basis of Labour's policy as they took office in 1964. The conditions have been seen as the mask behind which Harold Wilson played his European game, obscuring the principle of membership underneath endless discussion of the terms under

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<sup>1</sup> On the Brussels breakdown, Oliver Bange, *The EEC Crisis of 1963: Kennedy, Macmillan, de Gaulle and Adenauer in Conflict* (London: Macmillan, 2000); Camps, *Britain, op.cit.*, pp.472-492; Ludlow, *Dealing, op.cit.*, pp.200-230

<sup>2</sup> Robert Pearce (ed.), *Patrick Gordon-Walker Diaries* (London: Historians' Press, 1991), p.295, 4 Feb. 1964

<sup>3</sup> On the Brussels negotiations, Ludlow, *Dealing, op.cit.*; on the formation of Macmillan's strategy, Deighton and Ludlow, 'Conditional Application', Deighton (ed.), *Building, op.cit.*, pp.107-123

which Britain would enter.<sup>5</sup> Wilson did use this strategy, but the Labour Government also genuinely aspired to fulfil the 'conditions' of membership. Gordon-Walker told the Italians: 'we would be ready at some stage to discuss the political problem, whether it would be possible for Britain to join the EEC without severing links with the USA and Commonwealth countries'.<sup>6</sup> Seen as such, the new Labour government's comprehension of what European membership meant incorporates also their understanding of Britain's influence and potential bargaining power as well as Britain's economic goals and the success in achieving them. Any study of the development of Wilson's policy towards the European Community must therefore start with a review of Labour's intentions and expectations upon taking office in 1964.

### **Delusions of Grandeur? October 1964**

It does seem evident that the new government overestimated the freedom with which they would be able to plan the economy, although the choice not to devalue and to adopt a 15% import surcharge instead was grounded in pragmatism. There is less evidence to suggest that the government deluded itself about the continuation of a global defence role. Although Labour intended to sustain its military presence in the Far and Middle East and to continue with the Polaris programme, decisions were based on strategic concerns rather than unquestioned aspirations. EEC membership did not feature as the government established its priorities.

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<sup>4</sup> Brian Brivati, *Hugh Gaitskell* (London: Richard Cohen, 1996), pp.404-418

<sup>5</sup> Young, *Britain, op.cit*, p.91

<sup>6</sup> Pearce (ed.), *Gordon-Walker Diaries, op cit.*, pp.295-296, 4 Feb. 1964



Central to the Labour government's perceptions of what they could do with power was the belief that they would be better at running the economy than their Conservative predecessors had been. The Labour Party Research Department had concluded in 1962 that 'the basic cause of the failure of the British economy in the past decade has been the Government's over-reliance on market forces...With this diagnosis, the Labour Party fundamentally disagrees. The answer to our economic problems is to be found in more, not less, government intervention'.<sup>7</sup> Economic planning was surely the natural preserve of the Labour government, who in addition could expect better relations with the unions in order to implement more effective wages policies.<sup>8</sup> Wilson had galvanised expectations of the Party with his ability almost to personify the 'modernisation' of the country.<sup>9</sup> His call for a scientific and technological revolution in 1963 was more than a strategy for economic regeneration; it embodied the social changes of 1960s Britain in a shift from an old hierarchy to a meritocratic society. While Alec Douglas-Home's government was aristocratic and backward-looking, Wilson's was meritocratic and young, able to harness the class-based amateurism that currently held back change.<sup>10</sup> As Tony Crosland put it:

A dogged resistance to change now blankets every segment of our national life. A middle-aged conservatism, parochial and complacent, has settled over the country, and it is hard to find a single sphere in which Britain is pre-eminently in the forefront... No doubt we still lead the world in certain traditional spheres, merchant banking, classical scholarship, trooping the

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<sup>7</sup> Labour Party Archives [henceforward LPA], RD.377/December 1962, Alternatives to the Common Market: Outline Report

<sup>8</sup> Pimlott, *Wilson, op.cit.*, pp.276-278, 302-307, 348-349

<sup>9</sup> *ibid.*, pp.302-307

<sup>10</sup> David Butler and Anthony King, *The British General Election of 1964* (London: Macmillan, 1965), p.23, 31-33

colour or sailing the Atlantic single-handed. But wherever innovation is required, we see a frightful paralysis of will.<sup>11</sup>

The core of Labour's economic strategy would be an administrative reshuffle that would shake-up the Treasury, challenging the financial constraints that it was seen had denied the country steady economic growth.<sup>12</sup> George Brown, Wilson's principal challenger in the 1963 leadership contest, would lead the new DEA, concentrating on the invigoration of the economy in a fresh partnership between unions, industry and the state. The National Plan for Economic Development, the brainchild of Wilson's Economic Adviser, the Hungarian Oxford academic Thomas Balogh, was the heart of this strategy. Based on indicative planning – setting targets for growth<sup>13</sup> – the National Plan wedded together the left-wing ideals of economic planning with right-wing preferences for scientific and industrial regeneration. The National Plan was the Labour government's binding goal.

It was this belief that Labour could do better that formed the basis of the leadership's decision, two days into office, against devaluation of sterling and against a severe deflation.<sup>14</sup> Samuel Brittan, an economist in the DEA, argued: 'the Prime Minister, with support from enough of his colleagues to allow him to continue, persisted in believing in the face of accumulating evidence that there was some mysterious kind of "direct physical intervention" which could provide a third way to enable him to avoid both devaluation and

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<sup>11</sup> Tony Crosland, *The Conservative Enemy*, cited in *ibid.*, p.33

<sup>12</sup> George Brown, *In My Way: The Political Memoirs of Lord George-Brown* (London: Victor Gollancz, 1971), pp.95-109; Eric Roll, *Where did we go wrong? From the Gold Standard to Europe* (London: Faber and Faber, 1995), pp.28-32

<sup>13</sup> Samuel Brittan, *Steering the Economy: The Role of the Treasury* (London: Secker and Warburg, 1969), p.277

<sup>14</sup> Donald MacDougall, *Don and Mandarin. Memoirs of an Economist* (London: John Murray, 1987), p.153

deflation'.<sup>15</sup> Failure to devalue or to deflate straight away, after discovering that the balance of payments deficit was much higher than initially suspected, (£800m if the deficits on the capital and the current accounts were added together) has been heavily criticised.<sup>16</sup> The decision was understandable. The new government did not want to court immediate disfavour with the Americans, who regarded sterling as the first defence for the dollar and were very anxious that the pound should not be devalued.<sup>17</sup> Devaluation, it was feared, could lead to a seize-up of international trade, as a third of the world's trade was still conducted in sterling.<sup>18</sup> The Commonwealth held their reserves in sterling and to devalue would lessen the value of their savings, breaking Britain's faith with them and so undermining Wilson's intention to strengthen British-Commonwealth links.<sup>19</sup> There were also party political reasons. Devaluation was a risk and to do it when Labour had not pledged to do so an early admission of failure and a clear means to be labelled the 'party of devaluation'.<sup>20</sup>

The government's belief in their freedom of action to run the economy as they wished was also evident in their choice of alternatives. Wilson, Brown and the Chancellor James Callaghan elected to impose a 15% import surcharge on goods, excluding food, unmanufactured tobacco and basic raw materials and so exempting major exports from the Commonwealth.<sup>21</sup> The

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<sup>15</sup> Brittan, *Steering*, *op.cit.*, p.188

<sup>16</sup> *ibid.*, pp.187-189; MacDougall, *Don*, *op.cit.*, pp.152-3; Pimlott, *Wilson*, *op.cit.*, p.352

<sup>17</sup> PRO PREM13 109, Wilson to Johnson, 23 Oct. 1964; PRO CAB130 202, MISC1 1<sup>st</sup>, 17 Oct. 1964; Clive Ponting, *Breach of Promise: Labour in Power, 1964-70* (London: Hamish Hamilton, 1989), p.41; C.J. Bartlett, *The Special Relationship: A Political History of Anglo-American Relations since 1945* (London and New York: Longman, 1992), pp.109-110

<sup>18</sup> Harold Wilson, *The Labour Government 1964-1970: A Personal Record* (London: Wiedenfeld and Nicolson, 1971), p.6

<sup>19</sup> James Callaghan, *Time and Chance* (London: Collins, 1987), p.160

<sup>20</sup> Pimlott, *Wilson*, *op.cit.*, p.351

<sup>21</sup> PRO CAB130 202, MISC1 1<sup>st</sup>, 17 Oct. 1964

surcharge made sound economic sense, as it would generate additional revenue by bringing an extra charge at the point of entry.<sup>22</sup> The alternative of quantitative restrictions was ruled out on the basis that it would have to be selective and so would appear to hit hardest the pockets of Britain's creditors in the USA and the EEC.<sup>23</sup> Unfortunately, the surcharge was contrary to Britain's obligations to her EFTA partners under the Stockholm Treaty. Douglas Jay, President of the Board of Trade, did warn Wilson that EFTA would object to the imposition of the surcharge and that failure to consult EFTA in advance would be problematical. Anxious to get Labour's economic policy working and also seeking a policy that could be presented as 'dynamic' (the surcharge could be shown as removable and therefore temporary), Wilson ignored Jay's objections.<sup>24</sup>

As preparation began for the EFTA Heads of Government meeting on 19-20 November, it became apparent that the government had overestimated the ease with which they could impose economic instruments in isolation from their European partners. EFTA reacted very badly, annoyed less by the surcharge itself than by Wilson's failure to consult with them first.<sup>25</sup> The government had assumed that EFTA's reaction would not matter so much but the ramifications spread far beyond EFTA. First, Wilson tried to make amends by offering to accelerate Britain's tariff reductions with EFTA that had been scheduled under the Stockholm Treaty. Britain would lower her barriers against EFTA products without expecting reciprocation until the date arranged

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<sup>22</sup> *ibid.*, PRO CAB128 39, CC(64)2<sup>nd</sup>, 22 Oct. 1964

<sup>23</sup> PRO CAB130 202, MISC1 1<sup>st</sup>, 17 Oct. 1964

<sup>24</sup> PRO PREM13 1240, Jay to Wilson, 22 Oct. 1964; PRO CAB128 39, CC(64)2<sup>nd</sup>, 22 Oct. 1964; Douglas Jay, *Change and Fortune* (London: Hutchinson, 1980), p.301; Broad, *European Dilemmas, op.cit.*, p.57

previously in the Convention.<sup>26</sup> The French argued that unscheduled tariff reductions would discriminate in favour of EFTA and against the EEC in Britain's markets and that this would be contrary to agreements in the General Agreement on Tariffs and Trade (GATT) to avoid regional tariff blocs. If Britain persisted, France would refuse to support Britain's borrowing of sterling in the International Monetary Fund (IMF).<sup>27</sup> Second, in the United Nations Conference on Trade and Development (UNCTAD), Britain found her negotiating hand weakened by the imposition of the surcharge, which could be presented by others as a selfish act. Britain's policy in UNCTAD was to push for a general reduction of tariffs world-wide, which served Britain's interests but which was presented as a policy favouring the development of poorer countries. The import surcharge, by barricading Britain against trade, exposed chinks in Britain's negotiating hand.<sup>28</sup> The strength of reaction to the import surcharge took the government by surprise. There had been no expectation that EFTA would have the capacity to influence Britain's policy. For example, in Cabinet discussion on the negative EFTA reaction, the comment was made that Britain should 'remind them of the benefits by way of increased trade with this country and that it was in their interests to await the opportunity for further expansion of this trade which would arise as soon as the surcharge were removed'.<sup>29</sup> Ministers' shock serves to reinforce the fact that on taking office, the government had underestimated the constraints on their power and

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<sup>25</sup> PRO PREM13 1240, Wilson – Krag, 9 Nov. 1964; Geneva to FO, 10 Nov. 1964; PRO CAB134 1770, EEP(64)12, EFTA and the Recent Economic Measures, Treasury, 27 Nov. 1964

<sup>26</sup> PRO PREM13 1240, Jay to Wilson, 22 Oct. 1964

<sup>27</sup> PRO CAB128 39, CC(64)8<sup>th</sup>, 12 Nov. 1964; CC(64)9<sup>th</sup>, 19 Nov. 1964; PREM13/1240, Washington to FO, 7 Nov. 1964

<sup>28</sup> PRO CAB134 1783, EER(64)75, EFTA Ministerial Meeting: Relations with Developing Countries, Board of Trade, 5 Nov. 1964

<sup>29</sup> PRO CAB128 39, CC(64)9<sup>th</sup>, 19 Nov. 1964

the growth of economic interdependence between Britain and the European groupings.

Managing the economy successfully was also central to Labour's foreign and defence policies. Contrary to what has been suspected, the government did not have a 'delusion of grandeur' regarding their world role, although they were indisputably less radical than some may have hoped whilst in opposition.<sup>30</sup> Wilson did not want to withdraw from Britain's commitments in the Far East, but in part his stress on a world defence role was a way of augmenting Britain's influence in the USA.<sup>31</sup> He also wanted to continue to construct the Polaris nuclear force, as agreed at the Nassau meeting between Macmillan and Kennedy. Persisting with Polaris would mean Britain would continue to count with the USA and the USA could be locked into the defence of Europe.<sup>32</sup> In Britain's global defence role, stretching from Cyprus and Malta in the Mediterranean, to a presence in Aden in the Persian Gulf, to bases in Singapore and Malaysia in the Far East, the government accepted that withdrawal was ultimately inevitable. Patrick Gordon-Walker's paper to the Cabinet Committee on Overseas and Defence Planning (OPD) in late October on Britain's presence in South East Asia argued that Britain must strike a 'delicate balance between the dangers of staying too long and the opposite dangers of withdrawing too fast'. Politically, Britain must stay in South East Asia in preserve political influence until a settlement neither too nationalist nor too communist became attainable. In continental Malaysia, such a settlement would involve British withdrawal: 'part of the price for such an

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<sup>30</sup> Reynolds, *Britannia*, *op.cit.*, pp.226-227; Ponting, *Breach*, *op.cit.*, pp.41-42

<sup>31</sup> Pimlott, *Wilson*, *op.cit.*, p.385; Wilson, *Labour*, *op.cit.*, p.39; PRO PREM13 104, Wilson – Rusk, 7 Dec. 1964

<sup>32</sup> Hennessy, *Prime Minister*, *op.cit.*, pp.200-201; PRO CAB128 39, CC(64)11<sup>th</sup>, 26 Nov. 1964

association will probably be our military withdrawal from the area'.<sup>33</sup> Wilson did also make clear to the Cabinet that Britain would be unable to sustain all three defence roles in Europe under NATO, the role of nuclear power and a world wide military presence: 'we could not continue all three indefinitely and would need to consider this later'.<sup>34</sup> In this way, the government's strategy was to sustain influence in the USA and the Commonwealth by discharging military responsibilities in the Middle and Far East. Yet the prospect of reductions and withdrawal was clearly recognised and acknowledged. The key was how to manage the retreat without creating instability – Chinese influence in Malaysia, for instance – or losing British influence in America.

The balance between staying too long and pulling out too fast was also apparent in the Defence and Overseas Policy Committee's Long Term Policy Study, a study designed to think radically and long term about Britain's future role. The Study, conducted before Labour came to power, was deliberately based on the assumption that it would not be possible to sustain all of Britain's bases: 'The study group were instructed to assume that within the next decade Britain had been deprived by one means or another of the bases at Singapore, or Aden or both'.<sup>35</sup> In addition, it was clear that in order to sustain British influence on the USA it would be necessary to increase Britain's political influence in Europe: 'We believe that politically Europe must, if largely for geographical reasons, remain our first priority'.<sup>36</sup> If there were to be reductions, they would clearly be in the Far East and not in central Europe or

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<sup>33</sup> PRO CAB148 17, OPD(64)10, Policy in South East Asia, Foreign Secretary, 11 Nov. 1964

<sup>34</sup> PRO CAB128 39, CC(64)11<sup>th</sup>, 26 Nov. 1964

<sup>35</sup> PRO CAB148 10, DO(O)(S)(64)42, Defence and Overseas Policy Committee: Report of the Long Term Study Group, 23 Oct. 1964

<sup>36</sup> *ibid.*; see also CAB148 10, DO(O)(S)(64)45, Regional Report: Europe, 23 Oct. 1964

NATO.<sup>37</sup> The primacy of Europe was a recognition of the waning of Britain's role East of Suez, yet officials remained cautious of the dangers of accelerating the recall of troops. Sir Michael Palliser made this testy balance clear:

On the one hand the Treasury was arguing that we couldn't afford it... At the other end of the scale are the United States. As the Cold War developed and Russia became more and more of an apparent threat, they did a U-turn and said 'for God's sake stay'. So did the Australians and New Zealanders. The political arguments were on the whole in favour of staying and this did have an impact on policy towards Europe; but the financial arguments went the other way and this was also related to our desire to get the US to help financially.<sup>38</sup>

The government's objective was thus to balance conflicting pressures, securing Britain's influence in the USA and managing a dignified eventual retreat from Britain's global role. Wilson understood that Britain's future role would lie without a global defence: the key then lay not in the principle of withdrawal, but in the tactics and the timing. How did EEC membership fit into these wider observations?

### **The EEC and the MLF/ANF, October 1964 – January 1965**

Britain's policy towards the European Community was of low priority between October 1964 and January 1965. Labour's election manifesto claimed

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<sup>37</sup> Dockrill, 'The East of Suez decision', *op.cit.*; Staerck and Staerck, 'Realities', *op.cit.*, p.52; Lehmkuhl, 'Difficult Challenges', *op.cit.*, pp.273-275

<sup>38</sup> Sir Michael Palliser, Interview with author, 5 Nov. 2001



only that Britain would pursue 'closer relations with Europe'.<sup>39</sup> This non-committal approach was not a complete reversal of the previous administration's policy. Acknowledging de Gaulle's veto, the Conservative's Election Manifesto declared also that a membership initiative was not possible. Britain sought only 'closer relations' with Europe.<sup>40</sup> Yet, there was a crucial difference between Conservative and Labour attitudes. The Conservatives accepted that membership of the existing EEC should remain the central goal of policy. It had proved difficult, however, to find ways of keeping alive the stimulus to eventual entry without compromising current policies.<sup>41</sup> Wilson, on the other hand, provided little evidence that he had seriously thought about EEC membership. He based his approach on the assumption that it would be possible to change the nature of the Community. He also maintained that the Community could collapse because of developments in the EEC and NATO following the breakdown of the Brussels negotiations.

Essentially, the EEC faced crisis because of de Gaulle's ambitions and the way in which this impinged onto the question of Germany's access to nuclear weaponry. Following the veto, de Gaulle began to press for an alternative organisation of a Europe free from Atlantic influence.<sup>42</sup> In the period of uncertainty as to Europe's future political direction, the Americans forwarded proposals for a Multi-Lateral Force (MLF) in NATO. The MLF

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<sup>39</sup> 'Lets Go With Labour for the New Britain', (Labour Party, 1964), cited in F.W.S. Craig, *British General Election Manifestos 1959-1987* (Dartmouth. Parliamentary Research Services, 1990), pp.55-56

<sup>40</sup> Butler and King, *General Election, op.cit.*, p.131

<sup>41</sup> Camps, *European, op.cit.*, pp.125-136; PRO FO371 173316/WP19, SC(63)20, Policy towards France, Foreign Office Steering Committee, 3 July 1963; PRO FO371 171475/M10920 89, office meeting, 14 Jan. 1963

would provide Europe with its own nuclear capability under the command of NATO's Supreme Allied Commander in Europe (SACEUR). It would have a force of twenty-five surface ships, with eight Polaris missiles and a megaton warhead each, each manned by troops of three different nationalities.<sup>43</sup> Opposed to the MLF because it would allow Germany equal access to nuclear hardware, de Gaulle linked the problem of the next stage in the Common Agricultural Policy (CAP) with the creation of a European political union. He threatened in November 1964 that if the Six did not agree to cereal prices much lower than the level the Germans wanted, that the French would pull out of the EEC or out of NATO.<sup>44</sup> Settlement of the cereals prices was a problem of immense proportions for the German Chancellor Ludwig Erhard. Low prices could put him out of office; at the same time, failure to meet German demands for nuclear sovereignty could encourage the growth of nationalism in Germany.<sup>45</sup>

With these concerns in mind, Wilson gave a frank exposition of his views on the European crisis and EEC membership to *The Guardian* editor Alastair Hetherington. According to Hetherington's record, Wilson said that de Gaulle was serious when he declared he would pull out of NATO or out of the EEC. Failure to create a Franco-German alliance because of the MLF angered de Gaulle sufficiently to want to withdraw from NATO. Erhard was in an impossible electoral position and could be forced into acquiescence on the cereal price levels. Although, Wilson concluded, it would be extremely

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<sup>42</sup> Frédéric Bozo, *Two Strategies for Europe: De Gaulle, the United States and the Atlantic Alliance*, translated by Susan Emanuel (New York: Rowman and Littlefield, 2001), pp.91-94, 103-104

<sup>43</sup> PRO CAB148 40, OPD(O)(64)2, Multi-Lateral Force, Chairman, 23 Oct. 1964

<sup>44</sup> Camps, *European, op.cit.*, p.19

unfavourable if de Gaulle did pull out of NATO, his withdrawal from the EEC could have positive consequences for the British:

He said that if de Gaulle did leave the Common Market, then there would be a magnificent opportunity for Britain. What would it be? A free trade area, taking in the Five, as well as the EFTA countries, and perhaps going beyond. He looked forward to this with relish. He thought that we could negotiate a free trade area on these lines and that the others in Europe would be glad of it'.<sup>46</sup>

Here then, were the tenets of Wilson's early position. He understood that some kind of participation with the EEC was necessary, but wanted a settlement that took account of Britain's international trading interests. Not only did he see such a solution as desirable, but he genuinely seemed to believe that with the French out of the equation, the British would be able to reorganise Europe along new economic lines.

Wilson's attitude seemed to be guided by three principles: an assumption of Britain's bargaining power politically with the EEC, an adherence to Britain's global trading links and an understanding about the political organisation of European defence. The latter feature was evident during discussions about the MLF. Despite reluctance to participate in the MLF, the Conservative government, seeing absolutely no alternative, agreed to take part in talks as 'observers'.<sup>47</sup> For the USA, the MLF was designed to meet the twin difficulties of the failure of Britain's attempts to take the leadership of Europe and the increasingly assertive French attitude. At root,

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<sup>45</sup> Gustav Schmidt, 'Masterminding a New Western Europe: The Key Actors at Brussels in the Superpower Conflict', Wilkes (ed.), *Britain's Failure, op.cit.*, pp.75-76

<sup>46</sup> Archive Centre, British Library of Political and Economic Science, London School of Economics [henceforward LSE], Alastair Hetherington Papers, 7 19, Meeting with Wilson, 5 Nov. 1964

the problem was how to deal with the 'German question'. Germany's economic potential meant that Germany could grow into Europe's most powerful country, with implications for European security. Not only was the resurgence of German nationalism a risk, particularly if Germany was tempted to team up with de Gaulle, but also Germany could threaten the Soviet Union and limit the prospects of détente.<sup>48</sup> Encouraging Europe to defend itself was for the US a way of meeting Germany's wishes for greater control over NATO's nuclear strategy. Pressure in Germany for access to nuclear 'hardware' was an important element in public opinion and the failure to address it could create nationalist pressure, or could encourage the Germans to turn to the French.<sup>49</sup> Some in the US, such as Defence Secretary Robert McNamara, wanted to use the MLF to cut the Europeans down to size by eradicating any independent nuclear deterrents in Europe.<sup>50</sup> The 'European clause' in the MLF suggested, with some ambivalence, that while the USA would retain a veto on the use of the force, if a federal Europe did develop, then Europe could have its own veto.<sup>51</sup> Crudely, the perspectives were an 'Atlantic' organisation centred on NATO or a European organisation based around a federal Europe or around de Gaulle's *Europe des Patries*.

The MLF split the British administration. Britain's Ambassador in Brussels Sir Con O'Neill considered that Britain had no alternative but to

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<sup>47</sup> PRO CAB128 37, CC(63)43<sup>rd</sup>, 27 June 1963; CC(63)55<sup>th</sup>, 20 Sept. 1963

<sup>48</sup> Alistair Buchan, 'The Multilateral Force; A Study in Alliance Politics', *International Affairs*, vol. 40, no. 4 (Oct. 1964), pp.622-632; Camps, *European*, *op.cit.*, p.19; Schmidt, 'Masterminding', *op.cit.*, pp.75-76; Frank Costigliola, 'Johnson, Germany and the End of the Cold War', Warren I. Cohen and Nancy Bernkopf Tucker (eds), *Lyndon Johnson Confronts the World: US Foreign Policy, 1963-1968* (Cambridge: CUP, 1994), pp.174-210

<sup>49</sup> Schmidt, *ibid.*, pp.75-76

<sup>50</sup> Lawrence Freedman and John Gearson, 'Interdependence and Independence: Nassau and the British Nuclear Deterrent', Kathleen Burk and Melvyn Stokes (eds), *The United States and the European Alliance since 1945* (Oxford: Berg, 1999), p.185

<sup>51</sup> Buchan, 'Multilateral', *op.cit.*, pp.623-5

accept the MLF. The failure of the Brussels negotiations had led to a reduction in British influence in Europe and increased the risk that France and Germany would form a partnership and turn away from the Atlantic. O'Neill argued:

Seen from here, there is one argument in favour of the MLF which transcends all others. Its establishment could guarantee for a number of years that the main defence interests, links and responsibilities of Germany (and some other members of the Community), continue to run across the Atlantic and not to any nearer terminus.<sup>52</sup>

O'Neill's main concern, shared by Britain's Ambassador in Bonn, Sir Frank Roberts, was that Britain's exclusion from major developments in European defence would simply compound Britain's exclusion from the economic Community. Revealing a deep level of questioning as to Britain's political influence and role, O'Neill concluded that as Europe developed and became more self-confident, so British influence would correspondingly wane. Exclusion would mean that Britain:

Shall begin to become excentric to Western Europe in defence as we are already becoming in the economic sphere... it seems to me worthwhile, if it would avoid such a development, for us to put up with even a very great deal of strategic imperfection and additional expense in which the MLF would involve us.<sup>53</sup>

In the Defence and Overseas Policy Committee, chaired by the Cabinet Secretary Sir Burke Trend, O'Neill's ideas were not accepted for three main reasons. First, the MLF was a costly option. It would involve developing more weaponry and thus expense. The main problem was that the MLF would upset

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<sup>52</sup> PRO T312 1011, Despatch no.6, O'Neill to Foreign Secretary, 23 July 1964

<sup>53</sup> *ibid.*; PRO T312 1011, Despatch no.140, Roberts to Foreign Secretary, 21 Aug. 1964

the balance of Britain's retreat from a global defence role, by forcing manpower resources from the Far East to Europe.<sup>54</sup> Secondly, by encouraging weapons proliferation and by offering Germany access to nuclear hardware, the MLF would jeopardise moves to détente. The Soviet Union could interpret the MLF as hostile and could build up forces in response. Consequently, this would compel Britain to increase its own defence expenditure in Europe, when the aim of policy was to take advantage of a relaxation of East-West tensions to cut down costs in Europe.<sup>55</sup> Thirdly, the MLF, by ridding Britain of her status as an 'independent' nuclear power would reduce Britain's influence in the USA and would place the British on an equal footing with the Germans in NATO. At the same time, American willingness to contemplate an eventual 'European' veto created the risk that the 'twin pillars' of the Atlantic Alliance would one day drift apart.<sup>56</sup>

The incoming government was able to break the deadlock that had arisen in Britain's approach to Europe's political organisation. Insensitivity to EEC membership may have assisted Wilson's development of an alternative proposal to the MLF: an Atlantic Nuclear Force (ANF). Wilson's insistence that Labour did not want an independent nuclear deterrent was another key ingredient in the change of policy, as was Labour's claim to take the lead in policies of non-proliferation. Wilson told Hetherington:

he went back to what he'd told me about the idea he'd had in the bath during the election campaign. It was that we should assign our nuclear forces to NATO. We should assign them in such a way that they were completely tied up with NATO. In other words, we'd maintain that part of the Nassau agreement which provided for

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<sup>54</sup> PRO CAB148 40, OPD(O)(64)2, Multi-Lateral Force, Chairman, 23 Oct. 1964

<sup>55</sup> *ibid.*

<sup>56</sup> *ibid.*

the continuing British nuclear effort with a British force assigned to NATO. We would not, however, continue the clause on which Macmillan had been so insistent about the right to withdraw our forces.<sup>57</sup>

The ANF differed from the MLF because it did not offer the prospect of an ultimate European veto, but proclaimed the retention of an American veto.<sup>58</sup> Rather than the creation of new forces, the ANF would involve a pooling of existing forces, enabling Wilson to claim that the ANF was a bid against nuclear proliferation. Britain would contribute her Polaris fleet and V-bombers to a multilateral force, which allowed Wilson to say that he had fulfilled his election pledge to rid Britain of the independent deterrent by renegotiating the Nassau agreement.<sup>59</sup> American doubts about the project, faced with European divisions of opinion as the French were also opposed to the MLF, helped to allow the MLF to disappear.<sup>60</sup>

The three principles guiding Wilson's approach were again evident during his visits to de Gaulle and Erhard in January 1965. He was also anxious not to antagonise the French President by over-emphasising the extent to which British and French policies had collided over the EEC. Britain's immediate aims were to make economic and technological links with the French, the first step in the search for the economies of scale necessary to expand the British economy. To maximise Britain's ultimate bargaining position at a time of uncertainty, Wilson emphasised the degree of similarity between French and British policies. He argued that the British, like the

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<sup>57</sup> LSE, Hetherington Papers, 7 16, Meeting with Wilson, 19 Nov. 1964

<sup>58</sup> PRO PREM13 104, Wilson – Rusk, 7 Dec. 1964

<sup>59</sup> PRO CAB130 212, MISC16 1<sup>st</sup>, 11 Nov. 1964; PRO CAB128 39, CC(64)11<sup>th</sup>, 26 Nov. 1964

French, would never accept a supranational Europe and preferred a *Europe des Patries*. Furthermore, the Labour government agreed with de Gaulle that Britain could not come into the Community and sustain links with the Commonwealth. Labour's appreciation of this fact meant that a misunderstanding, such as that between the British and the French over the Free Trade Area negotiations under Reginald Maudling in 1957-1958 could not reoccur:

The Labour government's policy had criticised Maudling on grounds that it was based on a total misunderstanding of what the European powers were trying to achieve: he failed to appreciate that Europe was uniting economically for non-economic motives... He [Wilson] did not see how the links with the Commonwealth could be reconciled with the spirit of the Common Market. Labour had opposed supranationality and were not prepared to abandon to a supranational authority control over foreign policy and defence. Labour's view was therefore closer to de Gaulle's own.<sup>61</sup>

To Erhard, Wilson's story differed, indicating his attempts to augment Britain's bargaining position with each individual leader. He told Erhard that membership of the Common Market was 'not in the realm of practical politics', but that Labour regarded the EEC as the 'historic landmark of our time'. He did not over-emphasise Britain's hostility to supranationalism; stressing instead that Britain wanted to be closely associated with moves to political union.<sup>62</sup> Thus, Wilson's initial dealing with European leaders was essentially pragmatic, grounded in the complex nuclear and agricultural diplomacy of the winter of 1964-5. He was anxious not to create disharmony

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<sup>60</sup> *Foreign Relations of the United States*, [henceforward *FRUS*] Western European Region 1964-1968, vol.xiii, doc.57, Bundy to Johnson, 6 Nov. 1964

<sup>61</sup> PRO PREM13 306, Wilson – de Gaulle, 29 Jan. 1965



with either partner. Politically, he wanted to prevent the development of an expressly European political union. Economically, it seems clear he was genuinely determined to preserve Britain's trading links with the Commonwealth

### **Whitehall and EEC Membership**

In January the Government's First Secretary and Secretary of State for Economic Affairs George Brown, instigated studies of Britain's future relations with Europe. Brown was a lifelong supporter of British membership of the EEC.<sup>63</sup> The DEA's Permanent Under-Secretary Eric Roll was strongly in favour of membership and had also been involved in the Brussels negotiations.<sup>64</sup> Sir Derek Mitchell, who went to the DEA in 1966, confirmed the impression that the DEA thought of itself as a 'miniature Foreign Office concentrating on Europe'.<sup>65</sup> Studies of French sources also reveal a department presenting itself as leading Britain's European venture. William Nield, head of Economic Co-ordination (Overseas) had close links with the French Commercial Counsellor Jean Wahl and told Wahl that Wilson wanted the DEA, not the Foreign Office, to lead Britain's approach to the EEC.<sup>66</sup> Lord Roll denied that the DEA was always working for a European initiative, but stressed that the DEA's administrative innovation went beyond stealing a march on the Treasury. The DEA he recalled, intended to develop an expertise in Britain's external economic relations, creating a department of officials

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<sup>62</sup> PRO PREM13 306, Wilson – Erhard, 30 Jan. 1965

<sup>63</sup> Brown, *Memoirs, op.cit.*, pp.205-212

<sup>64</sup> Eric Roll, *Crowded Hours: An Autobiography* (London: Faber and Faber, 1985), p.172

<sup>65</sup> Sir Derek Mitchell, Interview with author, 26 Aug. 1997

specialising in the EEC, the GATT and other international organisations such as the UNCTAD and the OECD.<sup>67</sup> Thus, the DEA would not only diminish the stranglehold of the Treasury on Whitehall, it would also erode the influence of the Foreign Office, encroaching via its marriage of economic and foreign expertise into Britain's relations with the growing array of international organisations.

The forum Brown chose for the fresh approach to European policy was the External Economic Policy Committee, chaired by the DEA's Deputy Under-Secretary Douglas Allen and dominated by the economic departments.<sup>68</sup> Brown's intention was to produce a study of the economic implications of Britain's future membership, illustrating the importance attached to the industrial efficiency expected to accrue via membership.<sup>69</sup> The resulting paper, delivered in May, focused on the economic case for entry, ignoring the political implications, to the surprise of other officials.<sup>70</sup> The DEA wanted to expand on its links with the French in order to encourage greater efficiency in Britain's economy. Economic planning derived from French-led ideas for indicative planning.<sup>71</sup> Both the Labour Party and Whitehall had held discussions with the French about the establishment of the new government's economic machinery.<sup>72</sup> The development of economic links with the French could be the mainstay of a general pan-European pooling of economic ideas, enabling ties to be created between the national economies in

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<sup>66</sup> Laurence Badel, Commentary, Daddow (ed.), *Wilson*

<sup>67</sup> Lord Eric Roll, Interview with author, 5 Dec. 2001

<sup>68</sup> PRO CAB134 1771, EEP(65)3<sup>rd</sup>, 29 Jan. 1965

<sup>69</sup> *ibid.*

<sup>70</sup> PRO CAB134 1773, EEP(65)28, Future Relations with Europe, DEA, 3 May 1965; comments by other officials, BT241 1319, Phillips memorandum, 21 Apr. 1965

<sup>71</sup> Middlemas, *Power, op.cit.*, p.107; Glen O'Hara, *Economic Planning, 1959-1970*, Unpublished PhD Thesis, (University of London, forthcoming). The author is grateful to Glen O'Hara for a copy of his chapter on 'Conservative Economic Planning, 1959-1964'.

EFTA and the EEC. Nield recommended that European co-operation was a way to combat American dominance in emerging technological sectors by encouraging an amalgamation of resources for research and development and by providing a larger market. Aircraft and computers were particular industries that suffered because of the inability to develop ideas as quickly as the USA. Projects could be developed in these sectors and in armaments, space, nuclear power and electronics. Nield also suggested that the National Research Development Corporation (NRDC), established to provide money for research and development, could merge its efforts with similar institutions in Europe. The French had already held discussions with the British NRDC to see if they could set up an equivalent institution.<sup>73</sup> The DEA aimed to create 'functional collaboration' between Britain and France and then with other EEC and EFTA countries, acknowledging that British membership of the Community was blocked by de Gaulle's attitude.<sup>74</sup>

Foreign Office thinking had been moving in different directions. First, after the Brussels negotiations, there were within the Foreign Office a growing number of officials with a strong knowledge of the workings of the European Community. As Hugo Young has shown, Europe not Empire was increasingly a realistic alternative to forge a shining diplomatic career.<sup>75</sup> The European Economic Organisations Department,

was developing its own agenda of relations with the European Community. With eventual membership regarded as the only possible course for Britain, European Community relations took on an elevated importance.

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<sup>72</sup> Roll, *Where, op.cit.*, p.30

<sup>73</sup> PRO EW24 53, Nield to Burgh, 24 Mar. 1965; *The Times*, 3 Apr. 1965, p.8 5 Apr. 1965, p.10

<sup>74</sup> PRO EW24 53, Nield to Burgh, 24 Mar. 1965

Europe could not be overlooked in the way that it had been in the mid-1950s. Without membership, it was widely acknowledged, Britain would only ever be a 'greater Sweden', unable to wield influence in the world.<sup>76</sup>

Second, as well as regarding European membership as the only possible course for Britain, Foreign Office officials had also re-evaluated the methods by which Britain would seek that entry. Stung by the Brussels failure, officials realised that the institution with which they sought to work required a different diplomatic approach. The consolidation of the Community throughout 1963 and 1964, culminating with the cereals price agreement in December 1964, only served to strengthen their conclusions.<sup>77</sup> Principally, officials advocated the abandonment of the approach tried under Macmillan of seeking to make safeguards for Britain's essential interests prior to entering the Community. This did not mean that Britain would 'roll over and die', acquiescing wholesale to the Community's demands. Rather, the British would seek to agree to the principle of membership and then work to safeguard Britain's essential interests from the inside.<sup>78</sup> This was a crucial distinction. The new method, termed the 'crash operation', would obviate the need for a detailed and uncertain negotiation. Officials had recognised that Britain stood a better chance of securing her demands from inside the Community. Con O'Neill was the principle advocate of the new approach. O'Neill demonstrated a refined understanding of how the EEC worked and so of how to wield Britain's influence inside it. He accepted the loss of

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<sup>75</sup> Young, *Blessed*, *op.cit.*, pp.172-181

<sup>76</sup> PRO T312 1011, Despatch no.6, O'Neill to Foreign Secretary, 23 July 1964

<sup>77</sup> *ibid.*

<sup>78</sup> PRO FO371 177370/M1093 25, SC(64)24, The UK and Europe, Foreign Office Steering Committee, 6 Apr. 1964

sovereignty implied by membership, but understood also that the future exercise of power depended on that acceptance:

We in Britain still, in general, underestimate the extent to which the European Communities are and always have been concerned with politics and power...they aim, through union, to revive their influence and power, not merely the prosperity of their countries and their peoples...Mao Tse Tung declared that power grows out of the barrel of a gun. Professor Hallstein operates in a more sophisticated environment; but he has always declared he is in politics not business, and he may well believe that power grows out of the regulation price of Tilsit cheese or the price of a grain a hen needs to lay one egg. I think it does.<sup>79</sup>

Third, the Foreign Office recognised that General de Gaulle's veto was a bar to accession: Britain would be unable to join while he was in power.<sup>80</sup> Not only this, but none of the Six would want to reconsider enlargement before the end of their transitional period in 1970. The transitional period allowed for the reduction of the internal customs barriers to zero in three stages, alongside the harmonisation of the external tariff. Fundamentally, the Six all wanted to complete these changes before reconsideration of the complex problem of enlargement. Britain's intention during the Brussels negotiations had been to join in with the Community's transitional period. Recognising the impracticality of this, Britain should seek to join after 1970, adopting the Community's provisions in a truncated version of their own formula.<sup>81</sup> In the interim, Britain should seek to make life difficult for the General. This could be done by showing that Britain was a good European, able to accept the

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<sup>79</sup> PRO T312 1011, Despatch no.6, O'Neill to Foreign Secretary, 23 July 1964

<sup>80</sup> PRO FO371 177370/M1093 25, SC(64)24, The UK and Europe, Foreign Office Steering Committee, 6 Apr. 1964

<sup>81</sup> *ibid.*



provisions of the Treaty of Rome and the 'rules' of the European Community. In this way, it could be possible to undercut de Gaulle's veto, showing that it was not Britain who excluded herself, but France who deliberately kept Britain out.<sup>82</sup>

During the summer of 1964, officials from different departments, chaired by the Treasury's David Pitblado, compiled a report that served to emphasise the central importance of eventual EEC membership. All departments supported this goal, agreeing with the political case that outside the Community, Britain would diminish in influence and status.<sup>83</sup> Despite the close involvement of the Board of Trade and in particular the Treasury with this review, it was clear the Foreign Office were now the leading department on Britain's relations with the European Community. Partly, this showed that Foreign Office officials had adjusted to the changing realities of Britain's power. It also reflected the growing political importance of the EEC to Britain's immediate security interests. De Gaulle's policies towards the EEC and the Atlantic Alliance stood in increasingly overt opposition to Britain's own. Having failed to secure a French say in the direct running of NATO via the tripartite suggestions in 1958; de Gaulle's attitude towards NATO and the Alliance had become steadily more hostile. During 1964, his opposition to proposals for some kind of European nuclear force within the Alliance led to speculation that he intended to disrupt or withdraw from the Atlantic Alliance.<sup>84</sup>

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<sup>82</sup> PRO FO371 177374/M1093 115, Keeble Memorandum, 14 Oct. 1964

<sup>83</sup> PRO T312 1011, Pitblado Report, 11 Sept. 1964

<sup>84</sup> On de Gaulle, Bozo, *Two Strategies, op cit.*, pp.121-135; PRO FO371 179016/WUN10711 8, Barnes to Hood, 11 May 1964

As well as the political dangers of the developing EEC, the consolidation of the CAP on terms favourable to the French threatened Britain's international economic objectives. De Gaulle's ability to subject the Five to French wishes in economic policy fuelled concerns of an inward-looking EEC.<sup>85</sup> France's farmers favoured high levels of agricultural protection, cutting down imports from developing countries and encouraging over-production by export subsidies. These policies were extremely harmful to Britain's interests. Subsidies for exports to the developing world were a boost to French exporters that the British could not match.<sup>86</sup> The consolidation of the CAP also worried the Danes, who were heavily dependent on income from agricultural exports and who increased pressure on Britain to provide for agricultural trade amongst EFTA countries.<sup>87</sup> Barriers to third country exports heightened the burden to Britain of cheap agricultural imports. In 1963 the Macmillan Cabinet were forced to apply a ceiling to the quantity of cereal imports they could accept.<sup>88</sup> In the Kennedy Round for tariff negotiations in the GATT, French obstruction ensured that there was at the turn of 1964/1965 no prospect for an agricultural settlement that could hope to ease the problems for Britain by general reductions in agricultural tariffs.

The challenge posed to Britain's interests by a French-dominated European Community led to the development of policies towards the European Community not concerned primarily with the immediate achievement of membership. Rather, Britain had to work as best she could

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<sup>85</sup> PRO FO371 184288/W6 12, Palliser to Nicholls, 9 Feb. 1965

<sup>86</sup> On the CAP, Gisela Hendriks, 'The Creation of the Common Agricultural Policy', Deighton and Milward (eds), *Widening, op.cit.*, p.148

<sup>87</sup> PRO CAB134 1783, EER(64)79, European Integration: Austria, Foreign Office, 10 Nov. 1964

from her place outside the Community to soften the impact of French policies and to undermine de Gaulle's ability to get his own way. Membership was of course the ultimate goal of policy and without a commitment to eventual membership the Foreign Office recognised that Britain's influence on the continent could only ever be partial.<sup>89</sup> But, as the veto ruled out immediate negotiations and as the Labour leadership's policy towards membership was so ambivalent, the Foreign Office directed its efforts in the winter of 1964-5 towards a limitation of the damage de Gaulle could do to Britain and to the Atlantic Alliance.

In January 1965, Sir Michael Palliser, recently returned from Dakar to head the Foreign Office's Planning Staff, urged the Western Department to spur the new Foreign Secretary, Michael Stewart, into action. Palliser's timing partly reflected the institutional basis of the Foreign Office's Planning Staff; an innovation designed to think long-term but not based in any department. Palliser recognised the need for the Planning Staff to make a name for itself and in this aim he was assisted by his concert of views with the head of the Western Organisations and Co-operation Department, John Barnes. Barnes, the son of a dissenting vicar, was in Palliser's words, 'awkward', but the leading advocate of Britain's role of riding the European Community and the Atlantic Alliance in 'double harness', ensuring the two units did not drift apart.<sup>90</sup> Palliser also had in mind the change of Foreign Secretary. Patrick Gordon-Walker was very much a 'Commonwealth man' and committed to the

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<sup>88</sup> PRO CAB128 37, CC(63)26<sup>th</sup>, 25 Apr. 1963 and CC(63 28<sup>th</sup>, 2 May 1963; MAF276 145, Intel. No.32, 10 Mar. 1964; J.W. Evans, *The Kennedy Round in American Trade Policy: The Twilight of the GATT?* (Cambridge, Massachusetts: Harvard University Press, 1971), p.242

<sup>89</sup> PRO FO371 184288/W6 12, Palliser to Nicholls, 9 Feb. 1965



‘five conditions’, but Michael Stewart was a weaker individual with no particular views on Europe. He was easily influenced in favour of EEC membership by Foreign Office officials.<sup>91</sup> He was not the only one to be swayed by Sir Michael. Lord Thomson, Minister of State in the Foreign Office, also testified to the unusual influence Palliser had over the course of British policy towards the European Community.<sup>92</sup>

Palliser’s minute to Sir John Nicholls, despatched on 9 February 1965, was a turning point in Britain’s policy development. Palliser’s objective was to push Britain’s policy towards Europe back onto the political map. In the hiatus created by the unravelling of plans for a European nuclear force in NATO, de Gaulle was gaining ground in his objective of making the EEC into a ‘closed shop’.<sup>93</sup> The threat posed by de Gaulle was exacerbated by the fact that he faced no clear opposition within the EEC. In December 1964, the French and Germans finally reached agreement over the level of cereal prices in the CAP. For Erhard, the decision was enormously difficult as German farmers wanted higher prices than those offered and German industrialists clamoured for a clearer commitment by the EEC to the Kennedy Round and further tariff reductions. Erhard’s political future could swing on the agreement, but he was persuaded to settle for prices much lower than the Germans would have wanted.<sup>94</sup> Of course, the need to make the agreement in the name of EEC

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<sup>90</sup> Sir Michael Palliser, Interview with author, 5 Nov. 2001; on Barnes, see also James Ellison, ‘Dealing with de Gaulle: Anglo-American Relations and the Second Application’, Daddow (ed.), *Wilson, op.cit.*

<sup>91</sup> Michael Stewart, *Life and Labour* (London: Sidgwick and Jackson, 1980), p.144

<sup>92</sup> Lord Thomson of Monifieth, Interview with author, 12 Dec. 2001

<sup>93</sup> PRO FO371 184288/W6 12, Palliser to Nicholls, 9 Feb. 1965

<sup>94</sup> PRO FO371 177373/M1087 20(1), Dixon to FO, tel.275, 27 Oct. 1964; M1087 281, Keeble Memorandum, 16 Dec. 1964; PRO PREM13 27, Roberts to FO, tel.1220, 1 Dec. 1964; Roberts to FO, tel.1202, 1208, 27 Nov. 1964

development was paramount, but de Gaulle had also exerted pressure by promising further political development of the EEC.<sup>95</sup>

Without an Atlanticist vision for the EEC's political organisation once the MLF/ANF became unworkable, the risk was that the Germans, facing also domestic pressure for greater German involvement in nuclear strategy in NATO, would be tempted to team up with de Gaulle in politics and defence. Admittedly, it was unlikely that the Germans would throw in the Atlanticist towel and turn to Gaullist ideas of nationalism.<sup>96</sup> In late 1965, State Secretary George Ball said of this prospect: 'I often get frustrated in this job, but I don't yet think the Europeans are that dumb'.<sup>97</sup> Two factors conspired to make the Foreign Office edgy on the dangers. First, there was a general distrust of Germany, not of her nationalist tendencies, but of the reliability of the politicians and more specifically their ability to resist nationalist pressure. Franz-Joseph Strauss, the Defence Minister, was often cited in this instance.<sup>98</sup> Second, de Gaulle's pressure operated in the realm of public opinion. The British feared that if de Gaulle's vision for a 'European Europe' were left unchallenged, pressure would build in public opinion for the Germans to acquiesce in this vision. Thus, Britain's task was to keep alive the Atlantic alternative, ensuring that the French were not the only European powers with a solution for eventual German reunification and German desire for a greater

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<sup>95</sup> Camps, *European*, *op.cit.*, p.19; Jeffrey Vanke, 'The European Collaboration of France and Germany, 1963-1966', Wilfried Loth (ed.), *Crises and Compromises: The European Project, 1963-1969* (Brussels: Bruylant, 2001), p.99; PRO PREM13 27, Dixon to FO, 26 Nov. 1964; Dixon to FO, tel.893, 3 Dec. 1964

<sup>96</sup> *FRUS*, Western European Region 1964-1968, vol.xiii, doc.58, Memorandum for the Record, Johnson's Account of a conversation with Wilson, 7 Dec. 1964; on pressure in Germany for access to nuclear weaponry, Schmidt, 'Masterminding', Wilkes (ed.), *Britain's Failure*, *op.cit.*, pp.75-6

<sup>97</sup> *FRUS*, Western European Region 1964-1968, vol.xiii, doc.112, Ball to Missions in EEC, 24 Nov. 1965

say in nuclear strategy.<sup>99</sup> Such an approach would limit de Gaulle's room for manoeuvre and ensure that the Atlantic impulse remained. *The Economist* summed up the approach:

If he [President Johnson] changed his mind and pressed the Germans to choose between the US and France, they would no doubt choose the US. But if he does not, then it will become evident that between the concrete reality of the Common Market and the aspiration to Atlantic partnership; and between the intransigence of President de Gaulle and the readiness for accommodation of Johnson, Germany will prefer to go ahead with a European union and leave the Atlantic Alliance in its present state.<sup>100</sup>

But was a desire to undermine de Gaulle enough of a motive for European policy? Central to Palliser's analysis was a further goal and this was the preservation of Britain's own influence within the Atlantic 'double-harness'. At this stage, there was little indication from the British side that the Americans wanted anything from Britain or saw Britain as useful in their own battle with the obstructive French.<sup>101</sup> On the contrary, Palliser identified an isolationist tendency within the United States after the assassination of President Kennedy and the coming to power of the all-American Lyndon Johnson: 'the average American is at present bored and irritated by Europeans of all kinds'.<sup>102</sup> The US needed to be encouraged to keep looking towards the EEC as the European states had stymied between them American plans for a nuclear solution in Europe.

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<sup>98</sup> Buchan, 'The Multilateral Force', *op.cit.*, p. 630; on Britain's attitude towards the Germans, PRO PREM13 27, Healey to Duynster, 26 Nov. 1964

<sup>99</sup> FO371 177374/M1093 115, Keeble Memorandum, 14 Oct. 1964; PRO FO371 184288/W6 12, Palliser to Nicholls, 9 Feb. 1965

<sup>100</sup> *The Economist*, Comment, p. 14, 2 Jan. 1965

<sup>101</sup> James Ellison, 'Britain's Part in Johnson's Policy towards Europe', Paper Presented to LSE International History Seminar, 5 Dec. 2001

<sup>102</sup> PRO FO371 184288/W6 12, Palliser to Nicholls, 9 Feb. 1965

Furthermore, Wilson and Johnson's first meeting in December 1964 had met with ambivalent success. Johnson reproached the British Prime Minister for his treatment of the MLF.<sup>103</sup> British-American relations were at a low and the British recognised that failure to take action in Europe would sink Britain's standing further. Over time, the US would be tempted to take the Germans, with all their industrial potential, as the Americans' primary partner in Europe.<sup>104</sup> In effect then, Britain had to take a more forthcoming approach to the EEC in order to preserve the traditional bases of Britain's power. Opposition to the MLF stemmed from Britain's desire to sustain its Polaris programme and to remain an independent nuclear power and thus to remain one notch above the Europeans (particularly the Germans) in NATO strategy and policy making.<sup>105</sup> Only with the nuclear dimension would Britain sustain its seat at the top table and continue to 'punch above its weight' in the forums of the world.<sup>106</sup> And only with eventual membership of the EEC could Britain justify its continued power status as Britain's global influence eroded. Without membership, Britain's relative decline would be starkly illustrated while the EEC continued to grow in strength.<sup>107</sup> Without membership, the traditional make-up of transatlantic relations – Britain linking the giants of Europe and

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<sup>103</sup> *FRUS*, Western European Region 1964-1968, vol.xiii, doc.58, Memorandum for the Record, Johnson's account of a conversation with Wilson, 7 Dec. 1964; Sylvia A. Ellis, 'Lyndon Johnson, Harold Wilson and the Vietnam War: a *Not* so Special Relationship', Jonathan Hollowell, *Twentieth-Century Anglo-American Relations*, (London: Palgrave, 2001), pp.180-206, esp. p. 186, 195

<sup>104</sup> PRO T312 1011, Pitblado Report, 11 Sept. 1964

<sup>105</sup> Opposition to the MLF: PRO CAB148 40, OPD(O)(64 2, Defence and Overseas Policy Committee, Official, Multi-Lateral Force, Chairman, 23 Oct. 1964; on Polaris, Hennessy, *Prime Minister, op.cit.*, pp.288-289; Denis Healey, *The Time of My Life* (London: Michael Joseph, 1989), p 304

<sup>106</sup> Peter Hennessy, *Muddling Through: Power, Politics and the Quality of Government in Post-War Britain* (London: Victor Gollancz, 1996), pp.159-162

<sup>107</sup> PRO T312 1011, Pitblado Report, 11 Sept. 1964

America – would diminish and with it Britain's elevated position. The power dynamic thus remained central to Britain's thinking about EEC membership.

Palliser did not directly address the question of EEC membership. His primary aim was an interim measure to continue to undermine de Gaulle and exert Britain's influence in Europe. The secondary, longer-term aim was to convince ministers to start thinking about their position towards the EEC. There was no need for an initiative to achieve membership in the short-term, but the ability to say that Britain would come in when the circumstances were right was essential. As Palliser wrote: 'in practice, none of this is likely to make much impact on our partners unless they are seen to be the outcome of a genuine reappraisal by the British government of Britain's role within Europe and the Atlantic Alliance'.<sup>108</sup>

The Board of Trade and the Treasury, in the 1950s the leading departments towards Britain's relations with the EEC, were now of subordinate influence in policy formulation. The Treasury's declining influence has already been noted as the issue of European membership became increasingly politicised. Sterling had also not featured in the Brussels negotiations. The eclipse of the Overseas Finance Division in the Treasury reorganisation in 1962 meant that the Treasury's trenchant defence of its international sterling interests was also less strong.<sup>109</sup> Left to concentrate on economic problems at home, the Treasury's involvement was then complicated by the creation of the DEA in 1964. The DEA took for itself the responsibilities of medium-term planning and of policy implementation;

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<sup>108</sup> PRO FO371 184288/W6 12, Palliser to Nicholls, 9 Feb. 1965

<sup>109</sup> N. Piers Ludlow, 'A Waning Force: The Treasury and British European Policy, 1955-1963', Paper Presented to Contemporary British History Seminar, Institute of Historical Research, 17 Oct. 2001. The author is grateful to Dr. Ludlow for a copy of this paper.

leaving the Treasury's Economic Section, in 1964 under Sir Alec Cairncross with general studies of domestic and international economic problems. Cairncross' diaries illustrate his hostility to these changes. In particular, he resented the DEA and the appointment of Robert Nield to advise the Chancellor: 'The question for me is whether the Economic Section is already dead. Donald [MacDougall – Director General of the DEA] and Robert between them effectively end the post-war experiment'.<sup>110</sup> Control of sterling policy thus became the Economic Section's primary weapon in asserting its own influence. Because of the problems of the balance of payments, it was sterling that dominated the Treasury's concern throughout the period of the second application.

The Overseas Finance Department in 1962 had been streamlined into an overarching finance department, within which the Overseas Western European and Commercial section was responsible for relations with the European Community. Headed by John Owen, the department had expressed doubt about the strength of the political case for membership, but had nevertheless fallen in with the conclusions of the Pitblado Report.<sup>111</sup> During the Brussels negotiations, Treasury officials had also optimistically felt that membership of the Community would encourage the Six to lend Britain money in order to tide over the balance of payments difficulties. The Six, under the Basle agreements of 1961, would see more logic in shoring up the pound. Their interest in the strength of Britain's economy would be heightened after Britain's accession. In addition, the City of London felt that

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<sup>110</sup> Alec Cairncross, *The Wilson Years: A Treasury Diary, 1963-1969* (London: The Historians' Press, 1997), p.7, 19 Oct. 1964

<sup>111</sup> PRO T312 1011, Barnes to Owen, 23 June 1964

Britain would be able to take advantage of the opportunities presented in banking and insurance in the larger European market.<sup>112</sup>

However, the consolidation of the EEC had made these assumptions less solid. After 1962, the Six agreed a new method of agricultural financing calculated on units of gold, as well as advances in the liberalisation of capital movements within the Six. Combined with the persistent deficit on the British balance of payments, the Six could prove reluctant to accept a weak economy into their system and the Treasury was unsure as to whether to take the risk. Effectively, after the completion of the 1963 CAP agreements, devaluation was ruled out as a tool of policy in the EEC, as the pegging of food prices to gold would mean that if a currency were devalued, food prices would correspondingly increase and cause inflation. The Six agreed instead that a member state in balance of payments difficulties could call on Article 108 of the Treaty of Rome, asking for assistance from the other members in order to avoid devaluation. The Pitblado Report recognised that if Britain entered with a weak economy, the Six would be reluctant to invoke Article 108. The speculation that Britain would be unable to devalue once in the EEC could encourage devaluation in advance of accession. The freeing of capital movements within the Six could also create problems for a delicate economy, as capital could be encouraged out into stronger areas within the EEC. Liberalisation of portfolio investment also meant that capital could also be encouraged from Britain via the EEC into non-Sterling Area countries such as the USA.<sup>113</sup> So, while the long-term advantages of Britain's membership were

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<sup>112</sup> Catherine R. Schenk, 'The UK, the Sterling Area and the EEC', Deighton and Milward (eds), *Widening, op.cit.*, pp.124-127, 133-134

<sup>113</sup> PRO T312 1011, Pitblado Report, 11 Sept. 1964

potentially enormous, Britain's ability to realise them in the short-term was far from certain.

Preparing reports for the EEP Committee, John Owen recognised the fundamental dilemma for Britain's economic and sterling policy. First, with the balance of payments and economic prospects so uncertain, it was unlikely that Britain would be able to enter. A significant improvement in Britain's economic livelihood was a pre-requisite. Furthermore, once inside the EEC, Britain would be unable to implement the kind of economic controls, such as import restrictions, favoured by Wilson. Knowledge of the change in Britain's economic policy could encourage speculation against sterling in advance. In this way, Britain's economic fragility acted as a significant brake on Britain's advance towards the EEC.

Second, the development of the EEC itself led to greater financial and monetary co-operation between the Six. Owen concluded that the management of a reserve currency probably was incompatible with the obligations of Community membership as the Community would ultimately seek to move to monetary union and a common currency. Not only this, but the Six were taking a single stance in international monetary negotiations. In the on-going attempts to solve the problems of world liquidity, Britain was much more on the side of the United States than the EEC. Inside the Six, Britain would be forced to team up with the Europeans, some of whom favoured solutions that effectively meant an end to Britain's sterling area. Thus, Owen saw that entry into the EEC really did force a choice. Britain could not use the EEC to shore up her position as banker for the sterling area as management of the reserves would be incompatible with the obligations of membership. In addition, Owen



was uncertain that Britain could use the EEC to bolster Britain's strong pound policy, fearing that accession would precipitate devaluation.<sup>114</sup> This was reflective of the general uncertainty in the Treasury about Britain's ability to hold the rate and to instil economic recovery. In April, for instance, the Treasury had prepared contingency plans for devaluation in case the Budget speech precipitated adverse opinion.<sup>115</sup>

In the Board of Trade, the Commercial Relations and Export Division were responsible for Britain's policy towards the EEC. The Under-Secretary in charge of Europe was Eric Phillips, a man remembered by the Foreign Office's Norman Statham as particularly effective in pushing Britain's policy towards the Community.<sup>116</sup> Phillips' department was eager to pursue EEC membership as a long-term policy for four main reasons. First, it was undeniable that Britain's trade was redirecting away from the Commonwealth and towards Western Europe. In 1953, for instance, 41% of Britain's exports had gone to the Commonwealth and 42% of Britain's imports had come from there; while only 27.2% of Britain's exports went to Western Europe and 23.6% of imports derived from Western Europe. By 1964, 29.4% of Britain's exports went to the Commonwealth, compared to 37.7% to Western Europe; while 31.1% of Britain's imports came from the Commonwealth, contrasted with 32.2% from Western Europe.<sup>117</sup> With this in mind, the British had to find some way of making themselves as competitive as the European countries.

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<sup>114</sup> PRO CAB134 1772, EEP(65)24, Financial and Monetary Implications of Membership of the EEC, Treasury, 6 Apr. 1965

<sup>115</sup> Cairncross, *Diary, op cit.*, pp.48-49, 6 Apr. 1965; PRO T230 714, Atkinson to Cairncross, 29 Sept. 1965

<sup>116</sup> Sir Norman Statham, Interview with author, 3 Sept. 1999

<sup>117</sup> PRO BT241 1319, Phillips memorandum, 3 May 1965

Secondly, the Board of Trade recognised the benefits of increased competition that would accrue from European membership. The economies of scale and the reduction of tariffs between industrialised countries would spur Britain's industry into greater efficiency. This was less the benefit of tariff reduction per se, than a recognition that without membership, Britain stood at a disadvantage to her main European competitors. Britain could not afford to be outside the dynamic and sophisticated market of the EEC.<sup>118</sup> Tariff reductions in the Kennedy Round could help provide access to the larger market, but would not serve as an alternative, mainly because of the lack of political force that Britain had without membership.

This was the third consideration. Sir Richard Powell, the Permanent Under Secretary, commented that in the Kennedy Round, Britain had no influence next to the combined might of the USA and the EEC. As the world tended to split into regional tariff units, Britain risked being left alone with no trading partners and no political weight.<sup>119</sup> Thus, despite the large stake that Britain had in the successful conclusion of the Kennedy Round, the British found difficulties in securing global reduction of tariffs. In agriculture, the EEC was insisting on its *montant de soutien* formula in which tariff cuts would be conditional on the level of domestic support offered to farmers. The USA for its part was reluctant to make concessions in chemicals because of the American Selling Price (ASP) system.<sup>120</sup> Britain's lack of influence was also evident in global trading forums such as the newly created UNCTAD forum in GATT. Faced with the difficulty of having to accept low cost

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<sup>118</sup> PRO BT241 1319, Phillips to Nicoll, 13 May 1965

<sup>119</sup> PRO CAB134 1472, CCP(65)8, Report of the Kennedy Round, November 1964-February 1965, Richard Powell, 23 Feb. 1965

<sup>120</sup> *ibid.*

agricultural imports when the European countries protected their markets with the CAP levy, the British sought general multilateralisation of tariffs throughout the world. General multilateralisation would lessen the value of the Commonwealth preference in the British market, but would spread the burden of low cost imports.<sup>121</sup> However, general multilateralisation was meeting resistance from the EEC, the USA and from the Commonwealth themselves.<sup>122</sup>

Fourthly, and vitally, Phillips shared general fears that without membership, Britain would be unable to sustain her existing trading relations.<sup>123</sup> The EEC's Yaoundé Convention, replacing Part IV of the Treaty of Rome, demanded that the associate countries market their produce at world prices. This reduced their price competitiveness, but the EEC offered access to a larger market than Britain's. Nigeria's association talks with the EEC surpassed the fears during the Brussels negotiations that association was another form of colonialism. Accordingly, the African Commonwealth could follow Nigeria's example.<sup>124</sup> Similarly, EFTA could be encouraged to turn to the EEC and Austria had already begun association negotiations. The impact of the CAP on Denmark's exports also led to Danish interest in EEC membership. Pressure in EFTA consequently increased for greater access to Britain's markets, or for institutional and agricultural arrangements going

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<sup>121</sup> PRO CAB134 1783, EER(64)56, Association of the Commonwealth with the EEC, Treasury, 3 Nov. 1964

<sup>122</sup> PRO CAB134 1783, EER(64)75, Relations with Developing Countries, Board of Trade, 5 Nov. 1964

<sup>123</sup> PRO BT241 1319, Phillips to Nicoll, 13 May 1965

<sup>124</sup> PRO CAB134 1783, EER(64)56, Association of the Commonwealth with the EEC, Treasury, 3 Nov. 1964; see also Philip Alexander, 'From Imperial Power to Regional Powers: Commonwealth Crises and the Second Application', Daddow (ed.) *Wilson, op cit.*

beyond the industrial free trade remit.<sup>125</sup> EEC membership would both facilitate increased industrial competition, and would enhance Britain's political standing in order to continue with the general aim of reducing trading barriers throughout the globe.

In the Ministry of Agriculture, there was a conflict between the international and the domestic implications of EEC membership. In December 1963, the Six had agreed pricing and support arrangements for all the major commodities except cereals. John Kelsey, Assistant Secretary in the External Relations Division, argued that membership would raise prices in Britain, forcing domestic inflation and distortion of the agricultural industry. It was likely that cereals would be very highly priced, ensuring better returns for large-scale agrarian farming in the south and east of the country. The lack of support arrangements for pigs and eggs ran the risk of their prices plummeting and dairy, livestock and horticulture were also likely to experience lower prices.<sup>126</sup> However, two factors meant that it could prove in the British interests to accede to the EEC. First, the National Plan aimed to increase home production in cereals and to reduce imports by 1.5m tons. Under current bilateral arrangements with Britain's main suppliers, the USA, Argentina, Canada and Australia, the UK imported 9m tons per year.<sup>127</sup>

Second and related to the first, the high prices and protectionism in the EEC increased the pressure on the British to import cheap goods that could no longer find a market in the EEC. This pressure had led Britain to impose a floor on the import price to introduce an element of protection into Britain's

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<sup>125</sup> PRO CAB134 1772, EEP(65)16, European Integration, EFTA Ministerial Meeting, Foreign Office, 22 Feb. 1965

<sup>126</sup> PRO T312 1011, Pitblado Report, 11 Sept. 1964

own market. The floor would also reduce the cost of deficiency payments to the Exchequer as farmers would require less support.<sup>128</sup> The EEC's negotiating position in the Kennedy Round was also problematical, as the Ministry of Agriculture wanted to share the burden for third country imports and so wanted to reduce prices and increase access in Western Europe.<sup>129</sup> Britain's objective in the Kennedy Round was therefore to seek multilateral arrangements of access for third countries into developed markets, diluting regional tariff blocs into a world settlement.<sup>130</sup> The difficulties in pressing for multilateral reductions because of the EEC's opposition, added to the fact that Britain's domestic interest rested with an increase in domestic production and reduction of imports led to a change in policy. In October, the Ministry of Agriculture decided in the Kennedy Round to seek a system of international reference prices to calculate the levels of support. This would bring Britain more into line with EEC objectives, but would retain some control over the minimum and maximum price levels.<sup>131</sup> These pressures meant that the Ministry of Agriculture did see benefit in accession to the EEC, as membership would stimulate UK production and reduce cereal imports from outside the Community by one half.<sup>132</sup>

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<sup>127</sup> PRO CAB134 1774, EEP(65)71, The National Plan: Appendix on Agricultural Aspects, DEA and MAFF, 14 Oct. 1965

<sup>128</sup> PRO MAF276 145, Intel. 32, 10 Mar. 1964

<sup>129</sup> PRO MAF276 145, Memorandum, 15 Jan. 1964

<sup>130</sup> PRO CAB134 1473, CCP(65)33, Negotiations on Cereals, MAFF, 17 June 1965

<sup>131</sup> PRO CAB134 1474, CCP(65)60, Cereals in the GATT Kennedy Round, MAFF, 19 Oct. 1965

<sup>132</sup> PRO CAB134 1773, Implications for British Agriculture and Agricultural Trade, MAFF, 7 Apr. 1965

## Bridge-building: A Study of Policy Development

The bridge-building initiative, finally delivered in May 1965 to seek links between EFTA and the EEC, had its genesis in Palliser's memorandum of 9 February 1965. Stewart despatched two memos to the Prime Minister in February and March to argue the political case for acting to prevent the development of political union and for thinking about eventual membership: 'at present the link is like a telephone that has gone dead at both ends. Let us at least be sure that our end is capable of functioning if and when the other end is repaired'.<sup>133</sup> Following a visit to Erhard in March, Wilson showed interest in the policy, pushing 'bridge-building' through the Cabinet. The government did address the question of eventual membership:

the ultimate solution seems only feasible in terms it is still difficult to envisage – a solution based on the inclusion of the UK and other EFTA countries (some of the latter as associates) – in a Community based on the Treaty of Rome but developing and adapting policies acceptable to us.<sup>134</sup>

Bringing the reluctant Cabinet to accept a European policy that would serve to keep the Foreign Office's European ambitions alive was a considerable achievement and lends credence to the view that Wilson intended a membership initiative from early in the first term.<sup>135</sup> However, the impression of policy development is not one of a confident Prime Minister, leading from the front, determined to gain recognition of European policy while hiding the true nature of that policy from his colleagues. Rather, Wilson reacted to

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<sup>133</sup> PRO PREM13 306, Stewart to Wilson, PM/65 26, 12 Feb. 1965

<sup>134</sup> PRO CAB130 227, MISC48 2, Linking EFTA and the EEC, Prime Minister, 7 May 1965

<sup>135</sup> Young, *Britain, op.cit.*, pp.93-94

Foreign Office pressure and needed considerable inducement to do so. The impression he gives is one of indecision and ambivalence, recognising the need to address European membership but profoundly uncertain as to what that decision would mean. This was more than just an unwillingness to address the problems with his Cabinet colleagues. Policy towards the Commonwealth and his views on supranationality combined to ensure that the Prime Minister was extremely reluctant to take Britain into the EEC.

Wilson did have to face a Cabinet that was predominantly sceptical about entry into the EEC. In 1962, Hugh Gaitskell, then leader, had famously outlined the 'five conditions' that would have to be satisfied before membership would occur. These were the freedom of sovereignty over economic and foreign policy, protection for Commonwealth and EFTA trade and protection for Britain's agriculture. In this way, the Labour party had never repudiated Britain's involvement in European unity, but had established that Britain's special interests had to be settled prior to entry.<sup>136</sup> The 'conditions' were widely seen to be un-negotiable and so as forming a bar to the political principle of membership.<sup>137</sup> Framing the debate in this way ensured that the question was not only about whether Britain should join Europe, but also about Britain's ability to negotiate a suitable settlement and so about Britain's influence and power. Douglas Jay, for instance, makes clear in his memoirs that he was opposed to Britain's accession on the terms that eventually became available and portrays Britain's policy as leading up to the day at which the 'thousand years of history' would eventually be abandoned:

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<sup>136</sup> Brivati, *Gaitskell, op.cit.*, pp.404-418

<sup>137</sup> Cecil King, *The Cecil King Diary, 1965-1970* (London: Jonathan Cape, 1972), p.72, 20 Mar. 1966

to see no value and to take no pride in a nation which has preserved democratic Government unbroken by violent upheavals for 300 years, which has increasingly upheld human rights and civil liberties, and which has pioneered the struggle for greater social justice – to ignore all this and much else is to abandon rational judgement.<sup>138</sup>

Yet, it was not so clear in 1965 where Britain's policy was heading. Jay readily co-operated in the bridge-building initiative, supporting closer links between the EFTA and the EEC in order to stimulate trade and to mitigate the effects of the imposition of the common external tariff.<sup>139</sup> Asked to produce a paper on the economic implications of European membership, Jay showed his faith in Commonwealth trade. He argued that the loss of the Commonwealth preference and the turning of the terms of trade towards the Europeans would deal a blow to Britain's balance of payments as Britain would replace cheap Commonwealth imports with more expensive ones from the EEC. Consequently, Britain's living costs would rise, pushing up the price of wages and so the cost of Britain's exports.<sup>140</sup> Jay's paper was never circulated to ministers, as there was recognition that if Jay's views gained currency, all of Britain's objectives of garnering influence in the EEC would be lost.<sup>141</sup>

Wilson's response to the Foreign Office initiative was not just an attempt to balance the opposing interests of his Cabinet team. He accepted the importance of providing a counter to the development of the EEC's political

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<sup>138</sup> Jay, *Change, op.cit.*, p.348

<sup>139</sup> PRO BT241 1319, Nicoll memo, 30 Apr. 1965; BT241 1363, Private Office Minute recording office meeting, 19 Jun. 1965; PRO CAB130 227, MISC48 1<sup>st</sup>, 25 Mar. 1965

<sup>140</sup> PRO CAB134 1773, Balance of Advantage to Trade of UK Membership of the EEC, President of the Board of Trade, 9 July 1965. Drafts were available in mid-May.

<sup>141</sup> PRO T312 1014, Roll meeting, 2 June 1965



organisation, commenting that Britain should support Dutch efforts to prevent a European political union. He also emphasised the importance of economic planning, the preservation of the balance of payments and above all, Commonwealth trade:

what is the 'right sort of Europe'? Unless it was genuinely outward looking and not autarkic, it must be inimical to Atlantic and Commonwealth links. The real test is agricultural policy, which in its present form is autarkic and would deal a death-blow to Commonwealth trade.<sup>142</sup>

The hegemonic overtones of autarky and the strength of language about the Commonwealth indicate a personal hostility to the institution of the EEC and also the genuine favour to the Commonwealth alternative.<sup>143</sup> The risk to the balance of payments was well supported by official studies and added a practical concern against a short-term turn to Europe. Further to this, Willson had told de Gaulle in January that Britain opposed supranationality and supported the French vision of a *Europe des Patries*.<sup>144</sup> It does not therefore seem possible to view Wilson's bridge-building policy as an automatic first step on the path to the initiative that would follow. In essence, bridge-building was a tactical move to achieve four aims: to counterbalance French influence by appealing to the Germans, to mitigate the effects of completion of the Community's customs union, to appease a current of hostility in EFTA and to raise the prospect of eventual membership in the Cabinet.

First, Wilson's interest in a European initiative appeared to grow out of a meeting with the German Chancellor Ludwig Erhard in early March. The

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<sup>142</sup> PRO PREM13 306, Wilson comments on Stewart to Wilson, 3 Mar. 1965

<sup>143</sup> Jim Tomlinson, 'Labour and the International Economy in the 1960s', Paper Presented to the Contemporary British History Seminar, Institute of Historical Research, 2 May 2001

<sup>144</sup> PRO PREM13 306, Wilson – De Gaulle, 29 Jan. 1965

French challenge was dangerous if the French could persuade public opinion in Germany and Europe that only they offered a real prospect of ultimate German reunification and German involvement in European nuclear strategy. Wilson stressed that Britain did support steps to German reunification, assuaging German fears that the Labour government would prioritise relations with the Soviet Union.<sup>145</sup> A mutual ambition to lower tariffs in Europe was another way of sustaining German support for an 'outward looking' Europe. Erhard's problem was that he had been hemmed into accepting agricultural prices for the CAP lower than the German farmers wanted. At the same time, German industrialists supported freer trade throughout Europe, wanting access in particular to Scandinavian markets.<sup>146</sup> With the French also obstructing progress in the Kennedy Round, Erhard was not delivering on economic policy concerning the EEC. In addition, as Ludlow has shown, the Germans were increasingly determined to stand up to the French over agricultural financing arrangements for the CAP.<sup>147</sup>

Agricultural financing was a complex problem. The Treaty of Rome laid down a system of financing the agricultural fund that would hand over the receipts of duties on goods included in the customs union and levies on agricultural goods in the CAP into a central fund owned by the European Commission.<sup>148</sup> The levy system worked as the level of the levy changed in inverse proportion to the cost of the product: a cheap product accrued a high charge at the border, a more expensive product a lower charge. This was the

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<sup>145</sup> *The Economist*, 'Nearer to Germany', 13 Mar. 1965

<sup>146</sup> Thomas Rhenisch and Hubert Zimmermann, 'Adenauer Chooses De Gaulle: The West German Government and the Exclusion of Britain from Europe,' Griffiths and Ward (eds), *Courting, op.cit.*, pp.85-88

way of ensuring steady prices of imported agricultural goods and of course offered protection to Europe's farmers. A fund owned by the Commission was the only way of ensuring against 'trade deflection', a central problem in the development of the EEC. The difficulty was who would collect the duty on goods. Goods bound for Germany, for instance often passed through the Dutch port of Rotterdam. A fund belonging to the Community overcame this and so enabled the internal duty free zone to be implemented.<sup>149</sup>

The problem, from the Germans' point of view, was the way in which the level of payments into the fund would be calculated. The French wanted a financial system based on the quantity of agricultural imports from third countries: EEC states importing a high proportion of agricultural goods from outside the EEC would pay more into the agricultural fund. A system based on imports in this way did have to be implemented after the end of the Community's transitional period in 1970, but safeguards could be built in to ensure that those countries reliant on agricultural imports did not have to pay a disproportionate amount. The agricultural importers were Germany and Italy. The Germans wanted to cap their payments into the Fund by ensuring that part of their contribution would be calculated on a fixed-key system agreed in advance. The Germans' diplomacy towards the French had hardened in an attempt to prevent the French getting their own way over the CAP.<sup>150</sup> As part of this strategy, it would appear as if Erhard was interested in bringing Britain

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<sup>147</sup> N. Piers Ludlow, 'Challenging French Leadership in the Community: Germany, Italy, the Netherlands and the Empty Chair Crisis', *Contemporary European History*, vol.8, no.2, pp.240-243; Vanke, 'Franco-German', *op cit.*, p.105

<sup>148</sup> Hendriks, 'Common Agricultural Policy', *op cit.*, p.148

<sup>149</sup> John Lambert, 'The Constitutional Crisis, 1965-66', *Journal of Common Market Studies*, vol. 4 (1996), pp.201-202

<sup>150</sup> Ludlow, 'Challenging', *op.cit.*, pp.243-5; on the French benefits from the Community's agricultural system, Ludlow, *ibid.*, p.238; PRO FO371 182299/M1063 1, O'Neill Annual Report on European Communities for 1964, 2 Jan. 1965

to support German aims for 'parallelism'. Parallelism would ensure simultaneous development of the CAP and the industrial customs union, as well as progress in the Kennedy Round: in other words, to ensure dividends for Germany's industrial interests.

Erhard and Wilson were therefore able to reach a certain concert of views. Wilson wanted to demonstrate Britain's interest in the EEC in order to sustain Britain's influence on the continent and to keep alive the political alternative to a French-led Europe. Political union between the Six had first been discussed in 1961, but had faltered because of French hostility to supranationality and because the Dutch and Belgians were unwilling to adopt it without Britain.<sup>151</sup> De Gaulle had promised to move to political union if the Five facilitated the settlement of the next stage of the CAP and the Six had been discussing political union proposals forwarded by the Italians in January.<sup>152</sup> Erhard's own proposals for political union between the Six included links with EFTA and an agreement with the British would strengthen the likelihood of this goal, while for Wilson it would work to show the French that they could not subject their five partners at whim.<sup>153</sup> Accordingly, the two men agreed to investigate the possibility of seeking additional tariff reductions after the end of the Kennedy Round and to work to ensure the full promised cut of 20%. Erhard also suggested an exchange of ambassadors between the EEC and EFTA and a committee to ensure the policies of each group did not

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<sup>151</sup> Pierre Gerbert, 'The Fouchet Negotiations for Political Union and the British Application', Wilkes (ed.), *Britain's Failure, op.cit.*, pp.135-142; Wendy Abseck Brusse, 'Alone with the Six; The Dutch Cabinet and the British Application for EEC Membership', Griffiths and Ward (eds), *Courting, op.cit.*, pp.127-129

<sup>152</sup> Ludlow, 'Challenging', *op.cit.* p.240

<sup>153</sup> On Erhard's proposals, PRO CAB130 227/MISC48 1, Wilson – Erhard, 8 Mar. 1965

diverge too radically.<sup>154</sup> The meeting stimulated Wilson's interest in bridge-building.

The visit also possibly led Wilson to believe that bridge-building was sufficient as an end in itself. After a meeting of the Socialist International at Chequers in April, at which support for bridge-building was expressed, he suggested the 'Munchmeyer Plan', named after a German industrialist, for the EEC to join EFTA as one unit.<sup>155</sup> Such a proposal was clearly unrealisable, as had been witnessed by the free trade area talks under Reginald Maudling, when Britain had attempted and failed to complement the European customs union with a wider free trade area.<sup>156</sup> Despite the apparent impossibility of the idea, Wilson returned to it at the EFTA Prime Minister's meeting in May at which the bridge-building initiative was launched. He declared that Munchmeyer should not be rejected out of hand. Maudling's attempts to negotiate a free trade area around the EEC in the late 1950s had failed because they had: 'ignored the strength of European feeling within the Six...therefore the members of the Six... had regarded those negotiations as a piece of perfidious sabotage'.<sup>157</sup> Thus, although Wilson and Erhard's political objectives converged, it would seem clear that Wilson had no intention at this stage of accepting the economic provisions of the EEC and may have thought himself better placed to negotiate a more favourable alternative.

The second motive behind bridge-building was to continue to meet the challenge of the EEC's tariff reductions. Progress in the Community meant that the Community was likely to have completed its internal customs union

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<sup>154</sup> *ibid.*

<sup>155</sup> Wilson, *Labour, op.cit.*, p.105; PRO CAB129 121, EEC-EFTA Links, Wilson, 11 May 1965

<sup>156</sup> Ellison, *Threatening, op.cit.*, pp.223-225

ahead of schedule in the next two years. Tariff reductions between the EFTA countries would also be completed in the next two years, creating a clear tariff division in Europe.<sup>158</sup> British policy had always been to keep EFTA's internal tariff reductions in step with those of the EEC, to sustain the stimulus to investment of industries established within the EFTA countries.<sup>159</sup> Failure to keep pace with the EEC's success could jeopardise British and EFTA economies. Accordingly, a major part of the bridge-building plan was to reduce to zero the tariffs between the EEC and EFTA over a five-year transitional period, effectively creating by default a free trade area around the customs union.

Again, the best explanation of Wilson's own thinking on this project was found in Hetherington's papers:

The main project was to bring about a removal of tariffs between the EEC and EFTA between 1967 and 1972... They would seek to eliminate the tariff barriers between the Common Market and the EFTA countries progressively between 1967 and 1972, starting from the point that both the Common Market and EFTA would have reached nil tariffs internally by 1967.<sup>160</sup>

Wilson clearly did think that a free trade area around the customs union was possible, explaining his earlier enthusiasm for the Munchmeyer Plan:

I [Hetherington] asked whether he thought the prospects of success were about 50-50 or more or less. He indicated that 50-50 was probably about right. He said it was nevertheless very important that the British had taken this

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<sup>157</sup> PRO PREM13 308, Eighteenth Meeting At Ministerial Level, Vienna, 24-25 May 1965

<sup>158</sup> PRO PREM13 306, Trend to Wilson, 24 Mar. 1965

<sup>159</sup> Wolfram Kaiser, 'Challenge to the Community: The Creation, Crisis and Consolidation of the European Free Trade Association, 1958-1972', *Journal of European Integration History*, 1997, vol.3, no.1, p.20

<sup>160</sup> LSE, Hetherington Papers, 9 2, Meeting with Wilson, 2 June 1965; BT241 1362, Nicoll memorandum, 26 June 1965

initiative and that it was being accepted. Things were moving in Europe and moving in the right direction, the difference from what we were trying to do now and what Maudling had tried to do was that Maudling's initiative was seen by the EEC people as a wrecking manoeuvre. It made them very suspicious. This time even the French were perhaps going to be quite friendly.<sup>161</sup>

Wilson identified that the main problem would be in reducing the tariffs for agriculture. This would obviously recall all the problems of trade deflection and origin rules dealt with in the Free Trade Area talks.<sup>162</sup> Cheap produce would enter the Free Trade Area countries and could then be resold at higher prices in the EEC.<sup>163</sup> Failure to include agriculture if advances were made on industrial goods would be difficult for EFTA countries. Austria and Switzerland had already objected to the differing prices of agricultural goods in the EFTA states for products such as biscuits, sugar fondants and chocolate.<sup>164</sup> For Wilson, the main problem was that of Commonwealth trade and the need to retain the principle of cheap food prices in Britain: 'he thought that there would have to be some special provisions on agriculture. The British certainly were not going to accept a position in which they had to push up by 80% what they were paying for Commonwealth food'.<sup>165</sup>

There were also further difficulties which Wilson did not mention.

Wilson was pleased with the idea of the tariff reductions by 1972:

he said that the position before his initiative had been like a rugby scrum on a wet day at Cardiff Arms Park. The heavyweight forwards on both sides were down in the scrum, hacking away at

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<sup>161</sup> LSE, Hetherington Papers, 9 2, Meeting with Wilson, 2 June 1965

<sup>162</sup> Ellison, *Threatening*, *op.cit.*, pp.187-197

<sup>163</sup> PRO CAB134 1773, EEP(65)51, Munchmeyer Plan, Board of Trade, 14 June 1965

<sup>164</sup> PRO CAB134 1773, EEP(65)29, Problem of agricultural price differences in EFTA, Board of Trade, MAFF, 3 May 1965

<sup>165</sup> LSE, Hetherington Papers, 9 2, Meeting with Wilson, 2 June 1965

each other and not caring much what happened to the ball. In these sort of circumstances, one could completely change the shape of the game by nipping round on the blind side of the scrum and getting away with the ball. He hoped he'd done this.<sup>166</sup>

But the plan was no more than an idea, and the Vienna meeting did no more than agree to put proposals to the EEC. Practically, the Board of Trade was opposed to the intra-European tariff reductions for four main reasons. First, the problems of origin already mentioned. Secondly, concentrating on intra-European trade could jeopardise progress in the Kennedy Round tariff negotiations. The French in particular could use the British initiative to show Britain's lack of interest in the Kennedy Round in order to block progress themselves.<sup>167</sup> Thirdly, the United States could create problems for Britain if they thought that Britain prioritised European arrangements. This could make it difficult for Britain to secure reductions in the Kennedy Round.<sup>168</sup> Fourthly, the Board of Trade also felt that an initiative such as this would weaken Britain's negotiating hand. Britain's tariffs on the whole were higher than those of other EFTA countries and of the Six. This gave Britain a negotiating advantage that would be given away by showing clear willingness to reduce to zero in five years.<sup>169</sup>

There were further reasons for Wilson's desire to nip out of the scrum with the ball. The third factor in the bridge-building initiative was to mitigate the growing problems in EFTA. EFTA's difficulties stemmed partly from the

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<sup>166</sup> LSE, Hetherington Papers, 9 5, Meeting with Wilson, 5 May 1965

<sup>167</sup> PRO CAB134 1773, EEP(65)52, Post-Kennedy Round tariff negotiations between EFTA and the EEC, Board of Trade, 9 June 1965

<sup>168</sup> *ibid.*; PRO BT241 1360, Brown memorandum, 6 May 1965; BT303 445, Geneva to FO, tel.131, 11 June 1965



consolidation of the EEC. As the EEC became increasingly powerful, EFTA's limitations were exposed, and EFTA countries began to look to the EEC as an alternative. Austria had already begun association talks and the British realised it unlikely that Austria would be permitted dual membership of both institutions.<sup>170</sup> The Scandinavian Governments, particularly Denmark, were pressuring to strengthen EFTA in order to meet the competition to their agricultural exports by the export subsidies provided to Community members under the CAP. The Danes also advocated harmonisation in commercial measures such as government aids and eliminating restrictive business practices.<sup>171</sup>

These proposals demonstrated EFTA's concern that Britain was no longer looking to fulfil its undertaking in the Stockholm Treaty to seek wider European integration.<sup>172</sup> In addition to the challenge of the EEC, Britain's imposition of the import surcharge had weakened Britain's standing in EFTA and had increased the resolve of the other EFTA countries to demand action. Bridge-building was designed to divide and rule. In return for discussion of bridge-building, which the Swiss, Swedes and Austrians thought could not work, Britain agreed to look at the Danish proposals, which the British did not want. Scandinavian suggestions would then become embroiled in internal delay, as the Austrians did not support the agricultural proposals and the Swedes would not benefit from tariff harmonisation.<sup>173</sup> Bridge-building

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<sup>169</sup> PRO CAB134 1773, EEP(65)31, Steering Brief, 24 May 1965; BT241 1361, Brown to Philips, 2 June 1965

<sup>170</sup> PRO CAB134 1773, EEP(65)26, Austrian Negotiations with the EEC, Board of Trade and Foreign Office, 23 Apr. 1965

<sup>171</sup> PRO PREM13 307, Text of Norwegian, Danish and Swedish Proposals for a new mandate for the EFTA Council, 15 May 1965

<sup>172</sup> PRO PREM13 307, Figures to FO, 27 Apr. 1965

<sup>173</sup> PRO PREM13 307, Meeting of officials under Trend, 19 May 1965

would, as Trend put it, strengthen EFTA 'by default', showing Britain's interest in wider European unity and staving off pressure for other reform.<sup>174</sup>

Fourth and finally, the bridge-building initiative did provide the opportunity to raise the prospect of eventual EEC membership at ministerial level. Wilson did this only under pressure from officials, in particular from the influential Cabinet Secretary Burke Trend, who urged Wilson to decide where he stood on the central issue of European membership.<sup>175</sup> At a ministerial meeting in March, ministers discussed ways of furthering technological and economic links between the EEC and EFTA, but Brown and Stewart argued strongly that Britain must address the question of membership. In response, Wilson did agree that 'doubts had been raised about the advisability of remaining outside the major developments in the EEC' and suggested that Brown and Jay conduct studies of the implications of membership.<sup>176</sup>

In May, at a second meeting of the ad-hoc Cabinet Committee, comprising Wilson, the Chancellor Callaghan, the main supporters of membership Brown and Stewart, as well as the principal opponents, Jay and Minister of Agriculture Fred Peart, Wilson advanced his thinking about membership. He stated that Britain would have little choice but entry into a Community 'based on the Treaty of Rome, but developing and adapting policies acceptable to us'.<sup>177</sup> He made a similar statement to the full Cabinet three days later: 'We must therefore maintain our efforts to promote closer political and economic unity in Europe in a form in which we could play an

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<sup>174</sup> PRO PREM13 307, Trend to Wilson, 11 May 1965

<sup>175</sup> On Trend's views and the Wilson-Trend relationship, Peter Hennessy, *Whitehall* (London: HarperCollins, 1990), pp.214-217; PRO PREM13 306, Trend to Wilson, 24 Mar. 1965

<sup>176</sup> PRO CAB130 227, MISC48 1<sup>st</sup>, 25 Mar. 1965

<sup>177</sup> PRO CAB130 227, MISC48 2, Linking EFTA and the EEC, Prime Minister, 7 May 1965; MISC48 2<sup>nd</sup>, 10 May 1965

integral part. It was difficult to envisage the ultimate solution to this problem'.<sup>178</sup> For Stewart, Britain's commitment to eventual membership was much stronger:

we should make it clear that provided our essential (but unspecified) interests were safeguarded, we should ultimately wish to join a wider European market, together with any other members of EFTA who wished to accompany us and that such a policy would be complementary to, and not incompatible with, our membership of the Commonwealth and our relationship with the USA.<sup>179</sup>

One un-named 'pro-European minister' (presumably George Brown) was able to represent the policy as a step towards eventual membership of the Communities: telling *The Guardian*: 'Wilson is dipping his toe in the water to see how cold it is. If it were me I would plunge in and swim'.<sup>180</sup>

There can be no doubt then that Wilson accepted the need to raise the prospect of eventual membership of the EEC and that he also supported the Foreign Office's objectives of preventing the growth of political union on the continent from which Britain was excluded. Economically, however, there is no sign that the Prime Minister was reconciled to a transformation of economic policy in order to secure these political goals. In fact, he seemed to want to create a free trade area between EFTA and the EEC, a variation on the notion that the EEC should join EFTA as one unit. That Wilson believed this solution to be possible surely indicates how little the Prime Minister had thought seriously about British membership of the EEC. It is therefore difficult

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<sup>178</sup> PRO CAB128 39, CC(65)30<sup>th</sup>, 13 May 1965

<sup>179</sup> *ibid.*

<sup>180</sup> *The Guardian*, Labour Takes Another Look at Europe, Peter Jenkins, 21 May 1965

to see the bridge-building initiative as a first step on the road to Wilson's ultimate European venture. As *The Times* noted, 'As long as Britain fails to make her full intentions towards Europe clear by offering to sign the Treaty of Rome, she will not be able to please any European country, whether in the Common Market or in EFTA; and she will go on drifting herself'.<sup>181</sup> Furthermore, bridge-building had only limited success. The Vienna meeting of EFTA Prime Ministers suggested a 'trawling operation' to seek ways in which Wilson's plans could be executed. Initial reactions from the Six were muted. The Germans commented that there was no sign of their proposal for an exchange of ambassadors between EFTA and the EEC.<sup>182</sup> No formal reply was ever received from the Six. Instead, the Six divided over the issue of agricultural financing and paralysis broke out in the Community. The Six's crisis then openly raised the question of whether Britain would join the EEC: a development that forced Wilson to rethink his attitude towards the central issue of membership.

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<sup>181</sup> *The Times*, No Nearer to Europe, Leader Comment, 25 May 1965

<sup>182</sup> PRO CAB134 1773, EEP(65)58, EEC Reactions to the EFTA Ministerial Meeting, Foreign Office, 11 June 1965

## 2. Britain and the Empty Chair Crisis, June 1965 – March 1966

On 1 July 1965, a breach in the Community between the French and the other five members overshadowed Britain's faltering attempt to build bridges to the Community. Following two weeks of discussions as to the methods of financing the CAP, the French delegation pulled out of the Community's Council of Ministers. Appearing initially to be no more than a temporary breakdown, the deadlock escalated into a six-month paralysis as the French refused to participate in Community institutions.<sup>1</sup> The empty chair crisis was eventually resolved on 31 January 1966 at Luxembourg, as the Six agreed to recommence discussions on the agricultural and economic issues left unresolved in June.<sup>2</sup>

Historical attention has so far focused on the origins of the rift, emphasising the importance of this first major row between the French and the Germans since the inception of the Community. Contemporary writers interpreted the deadlock in terms of de Gaulle's deliberate challenge to the Community's supranational provisions. In this analysis, the French intended to provoke a split because of de Gaulle's adherence to ideals of French national independence. The French deliberately picked on the Commission's proposal that the proceeds of agricultural levies and industrial customs duties should belong to the Commission. That the Commission should have its 'own resources' – a budget that would also augment the role of the European

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<sup>1</sup> Camps, *European*, *op.cit.*, pp.58-80

Parliament – was seen by the French as an unacceptable acceleration of the centralising, bureaucratic forces in the Community.<sup>3</sup>

An alternative view using archives of Germany, Italy and the Netherlands challenges the notion that the French intended to instigate the rupture. Rather, French actions were forced by the deliberate hardening of German, Italian and Dutch positions against French leadership. French threats to pull out of the Community from the winter of 1964-1965 and the refusal of the French to deliver on political union angered the Germans and the Italians. Piqued by de Gaulle's repeated failure to deliver on political union and parallel development on commercial policy each of the three independently resolved to call de Gaulle's bluff.<sup>4</sup> After the end of the Community's transitional period in 1970, member states' contributions to the agricultural fund were to be calculated based on the net agricultural imports from third countries. The Commission's proposals, supported by the Germans and the Italians, aimed to break the link between agricultural imports and finance, hoping to water down the eventual introduction of a funding system based on the quantity of imports. The Commission retained the principle of a formula using levy proceeds and tariff revenue from goods included in the industrial customs union, but aimed to agree a fixed contribution in advance.<sup>5</sup> For the Germans and Italians, both net importers, breaking the link would enable a reduction of their contributions to the agricultural fund. Faced with this challenge, the French had very little option but to withdraw.<sup>6</sup>

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<sup>2</sup> N. Piers Ludlow, 'The Eclipse of the Extremes: Demythologising the Luxembourg Compromise', Loth (ed.), *Crises, op cit*, pp.247-265

<sup>3</sup> Camps, *European, op.cit.*, pp.81-91, 58-70; Lambert, 'Constitutional Crisis', *op.cit.*, p.207

<sup>4</sup> Ludlow, 'Challenging', *op.cit.*, pp.236-243

<sup>5</sup> *ibid.*, pp.243-5

<sup>6</sup> *ibid.*, p.248

For the British, the persistence of the crisis demanded a clarification of their position towards the EEC. The problem was two-fold. First, the crisis required a British rethink of their attitude towards EEC membership.<sup>7</sup> It was no longer sufficient to hide behind the assertion that accession was ‘not in the realm of practical politics’ as Wilson had told Erhard in January.<sup>8</sup> The British had to be ready lest the opportunity for membership did arise. This possibility exposed the divisions in the British administration as to what kind of Community they wanted to join. The Foreign Office wanted to side with the Five against the French and seek a supranational Community.<sup>9</sup> The DEA and Harold Wilson – who in November 1964 had envisaged the creation of an industrial free trade area in Europe if the EEC collapsed<sup>10</sup> – favoured an end to supranationality. Teaming up with the French would make it easier for the British to join by removing one of the central objections to membership.<sup>11</sup> Camps has argued that once the political nature of the crisis was evident, the British should have reacted to strengthen the hand of the Five against settling on French terms.<sup>12</sup>

The second problem for the British was the relationship between the EEC deadlock and the wider crisis in NATO. This has been a neglected aspect of the historiography. De Gaulle’s apparent repudiation of supranationality and assertion of French national strength has been seen as expression of the same principles as those guiding his attitude towards NATO. Camps interpreted de Gaulle’s challenge to the EEC as a response to the failure of his

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<sup>7</sup> Camps, *European*, *op.cit.*, pp.176-185

<sup>8</sup> PRO PREM13 306, Wilson – Erhard, 30 Jan. 1965

<sup>9</sup> Camps, *European*, *op.cit.*, pp.178-179

<sup>10</sup> LSE, Hetherington Papers, 7 19, Meeting with Wilson, 5 Nov. 1964

<sup>11</sup> Wallace, *Domestic Policy*, *op.cit.*, pp.140-142

<sup>12</sup> Camps, *European*, *op.cit.*, pp.176-185

vision for a political Europe.<sup>13</sup> She writes 'by 1965, independence and freedom of action for France had become more important objectives for General de Gaulle than a European Europe'.<sup>14</sup> Recent archival research suggests a different approach. Bozo argues that from early in 1965, de Gaulle moved towards explicit pursuit of a 'Europe from the Atlantic to the Urals'. A 'European Europe' shifted the international problem from one of European-Atlantic relations, such as the MLF/ANF debate, to one of détente.<sup>15</sup> Here, de Gaulle was on sounder ground. De Gaulle's argument that NATO had not promoted a softening of East-West tensions had resonance in wider public opinion and he could therefore hope to build support for his actions. In Bozo's analysis, the precise role of the EEC crisis is not clear. Bozo accepts that de Gaulle rejected supranationality<sup>16</sup>, but study of the process of the crisis does not suggest that the empty chair was an essential part of de Gaulle's vision for Europe. In fact, the EEC crisis was unwelcome for the General. It was domestically extremely unpopular, reflected in the Presidential elections in December. The prospect that the EEC could collapse also raised the danger of an independent and resurgent Germany on France's border. It was telling that ultimately de Gaulle allowed settlement of the empty chair crisis in order to concentrate on NATO, unable to build public support for simultaneous actions against both.<sup>17</sup>

The resonance of the EEC crisis for the future of NATO caused concern in the British Foreign Office. Fear that the Community could collapse

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<sup>13</sup> *ibid.*, p.35, 117-188

<sup>14</sup> *ibid.*, p.35

<sup>15</sup> Bozo, *Two Strategies*, *op.cit.*, pp.144-147

<sup>16</sup> *ibid.*, p.144

<sup>17</sup> PRO T312 1015, Reilly to Stewart, 23 Nov. 1965; PRO FO371 188376 10836 48, Reilly to FO, tel.85, 31 Jan. 1966



led the European Economic Organisations Department to argue in favour of a British initiative to strengthen the Five against the French. British membership of the EEC was an integral part of this equation, but it was subordinate to the broader strategic dilemma. In this way, Britain's response must be assessed not only in terms of attitudes towards supranationality, but also perceptions of détente and of the problem of Germany. Harold Wilson did agree to advance Britain's study of EEC membership, but the settlement of the Six's crisis on 31 January 1966 removed the immediate opportunity for a move.

Britain's initial response to the crisis in July was one of 'sympathetic inactivity'.<sup>18</sup> A spat in the European Community was of far less importance to the Prime Minister than the sterling crisis, lasting between July and August 1965 and the turmoil in Rhodesia, enduring throughout the autumn and winter of 1965. In July, a run on sterling reopened the question of devaluation, now favoured by George Brown. Wilson, tied to the Americans by a clear agreement that Britain would maintain the parity of sterling in return for continued assistance for Britain's defence role in the Far East, refused to devalue and the government instead implemented a deflation. The core of the deflation was a voluntary prices and incomes policy, designed as a compact between government and unions to hold wage inflation and to keep prices level.<sup>19</sup> In Rhodesia, Ian Smith's white minority government refused to accept black majority rule and declared independence from the UK. Wilson's

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<sup>18</sup> Camps, *European*, *op cit.*, p.160; PRO CAB128 39, C(65)36<sup>th</sup>, 8 July 1965

<sup>19</sup> See Pimlott, *Wilson*, *op.cit.*, pp.382-388; Ponting, *Breach*, *op.cit.*, pp.42-54; PRO PREM13 255, Note by John Stevens, 22 July 1965; PREM13 251, Wilson – Stewart – Bruce, 26 July 1965; PREM13 256, Trend – Bundy, 30 July 1965

attempts to deal with Smith dominated the government's foreign policy.<sup>20</sup> Yet the Six's crisis was significant enough to be taken to Cabinet. Stewart declared that Britain should stand aside and allow the Six time to settle their own differences. Importantly, the British did not want to be seen as the saboteur of the Community: in the atmosphere of NATO fragility it was essential not to be blamed for endangering the Community's survival. Furthermore, continuation of the Community was paramount to Britain's security interests. The collapse of the Community would lead to 'troubled waters for the Russians and even the Chinese to fish in' and would compromise Britain's trading policies by ending the Kennedy Round. If the crisis persisted, Stewart warned that Britain might be called upon to take some kind of initiative towards the EEC.<sup>21</sup>

It would seem that de Gaulle, seeing the Five impressively resolute in the defence of their agricultural interests and finding public opinion opposed to the paralysis of the Community, decided to escalate the crisis into the wider sphere of politics and defence.<sup>22</sup> His press conference on 9 September attacked the basis of supranationality and defended the supremacy of the nation state.<sup>23</sup> From this date, indications began to appear that he intended to take the French right out of NATO. *The Times* reported on 10 September that de Gaulle had threatened to leave NATO in 1969. He demanded revision of the Treaty of

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<sup>20</sup> See Wilson, *Labour, op cit.*, pp.131, 144 and 125-141 for an account of the problems of July – September 1965; Philip Ziegler, *The Authorised Life of Lord Wilson of Rievaulx* (London: Wiedenfeld and Nicolson, 1993), pp.218-242 on Rhodesia and Wilson's foreign policy

<sup>21</sup> PRO CAB128 39, C(65)36<sup>th</sup>, 8 July 1965; For the quote, PRO T312 1014, The Present Deadlock in Agricultural Financing in the Community and its Implications for Britain's policy, EEOD, 13 July 1965

<sup>22</sup> On the unpopularity of the crisis Lambert, 'Constitutional', *op cit.*, p.217; Camps, *European, op cit.*, pp.95-6; on the resolution of the Five, particularly the Germans, PRO FO371 182375/M1088 172, Robinson to Statham, 22 July 1965; M1088 225, Robinson to O'Neill, 29 Oct. 1965; PRO FO371 184200/M10836 60, Marjoribanks to FO, tel.160, 27 Oct. 1965; M10836 55, Statham Memorandum, 18 Oct. 1965

<sup>23</sup> Lambert, 'Constitutional', *op cit.*, pp.214-216

Rome as his price for continuing with the Common Market.<sup>24</sup> These tactics raised the stakes, drawing the crisis out of the initial focus on agriculture and back into the realm of political union. Consistent with his tactics throughout 1965, use of arguments in the political and defence sphere gave de Gaulle a wider field over which to play and posed problems of the first magnitude for the Europeans. In this way, his press conference appears as more than simply an exposition of the 'true nature' of the crisis.<sup>25</sup> Barnes noted: 'by threatening his partners, he softens up their resistance to his next threat to NATO and vice-versa. If he continues with these tactics, I doubt if we can rely on the Five standing up to him on both fronts'.<sup>26</sup> De Gaulle could, by threatening to pull out of NATO, hope that the Five would agree to agricultural arrangements in order to stop him from doing so: limiting the damage by giving him what he wanted in the EEC. Alternatively, the disruption in NATO could pull apart the Five's will to preserve the EEC intact, encouraging the channels of opinion in each country who were attracted to de Gaulle's brand of nationalism. As Spaak made clear to the British, genuine support for the French in Belgium could make it difficult for Belgian politicians to stay in the Atlantic Alliance.<sup>27</sup>

France's shift in position worked. The fear of wider crisis introduced a new note of caution into the Five's own approach. The Italians, whose support had been essential in precipitating the crisis in the first place, began to back down.<sup>28</sup> Similarly, the Luxembourgers and the Belgians declared their

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<sup>24</sup> *The Times*, General de Gaulle Threatens to Leave NATO, 10 Sept. 1965; *FRUS*, Western European Region 1964-1968, vol.xiii, doc.100, Leddy to Read, 19 Aug. 1965, p.239; PRO T312 1015, Reilly to Stewart, 23 Nov. 1965

<sup>25</sup> Camps, *European*, *op.cit.*, p.81

<sup>26</sup> PRO FO371 182378/M10810 102, Barnes to O'Neill, 14 Oct. 1965

<sup>27</sup> *FRUS*, Western European Region 1964-1968, vol.xiii, doc.107, Spaak – Rusk, 21 Oct. 1965; doc.110, Cleveland to Rusk, , 16 Nov. 1965

<sup>28</sup> PRO FO371 182401/M10836 69, RJ O'Neill memorandum, 4 Nov. 1965; PRO FO371 182400/M10836 60, Marjoribanks to FO, tel.161, 27 Oct. 1965

determination to defend the Rome Treaty, but their unity of purpose created a new will to find a solution with the French at the Council meeting in October.<sup>29</sup> Emilio Colombo, the Italian Finance Minister chairing the Council Meeting, declared that the Five were ready to reach agreement on agricultural financing.<sup>30</sup>

The Germans, however, remained firm in the Council meeting of the Five in October, insisting on their minimum demands of a ceiling to German national contributions in the agricultural fund and parallel development in the Kennedy Round.<sup>31</sup> French posturing and German firmness led to direct requests from the Five, the French and the USA, for British participation. Germany's strong stance upset the balance of the Community and led to doubts both of the Germans' reliability and of their potential strength. On the one hand, the State Department in the USA feared that the Germans would be unable alone to resist de Gaulle's offers of political union and would be forced to acquiesce to French terms on defence. Partly, this was because the French appeared to offer access to nuclear weaponry and German reunification – an essential goal for the German nation – but also French tactics worked in the realm of public opinion. It could prove difficult for Erhard to resist French offers if there seemed to be no alternative for German interests.<sup>32</sup> On the other hand, the Five were alarmed at the implications of Germany's strong stance, Spaak reiterating his doubts about guaranteeing Belgian Atlanticism if

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<sup>29</sup> PRO FO371 184200/M10836 60, Marjoribanks to FO, tel.161, 27 Oct. 1965

<sup>30</sup> Varsori, 'Italy and the Empty Chair Crisis', Loth (ed.), *Crises, op.cit.*, pp.219-220

<sup>31</sup> PRO FO371 184200/M10836 60, Marjoribanks to FO, tel.160, 27 Oct. 1965; M10836 55, Statham Memorandum, 18 Oct. 1965

<sup>32</sup> See *FRUS*, Western European Region 1964-1968, vol.xiii, doc.112, Ball to Mission in the European Communities, 24 Nov. 1965; PRO T312 1015, O'Neill to Dean, Record of Conversation with Hinton in the State Department, 30 Nov. 1965

Belgium had to accept German dominance in the Community.<sup>33</sup> Only Britain could strengthen the morale of the Five by showing they had a strong ally willing to support them and to step into the breach should the Community break up. Britain's involvement would also help public opinion, by showing that there was a viable alternative to a French-dominated EEC. Both the State Department and Spaak approached the British to suggest Britain show her hand in favour of the settlement of the crisis on the Five's terms.<sup>34</sup>

De Gaulle, presumably aware of the forces operating on public opinion and keen to limit the perception of France as the only state keeping Britain out of the Community, responded by inviting Britain to join the EEC. De Gaulle declared that 'Britain was evolving in the direction of Europe and if this took a more precise form it would be considered sympathetically by France'.<sup>35</sup> Indications that the French wanted Britain in were difficult for Wilson. He had not yet declared his hand in favour of membership and Edward Heath, who supported EEC membership, had just become leader of the Conservative Party. At a public lunch in Paris on 22 November, Heath had said that Conservative policy would facilitate Britain's entry into the EEC. The Conservatives would accept the Treaty of Rome and would begin to make adjustments in Britain, such as moving to a levy system for agriculture, to facilitate this. Europe would have to play a part in the Atlantic Alliance and this should be done on the basis of Anglo-French links.<sup>36</sup> De Gaulle's suggestion that the British could come into the EEC created problems for the

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<sup>33</sup> *FRUS*, Western European Region 1964-1968, vol.xiii, doc.107, Spaak – Rusk, 21 Oct. 1965; doc.110, Cleveland to Rusk, 16 Nov. 1965

<sup>34</sup> PRO T312 1015, O'Neill to Dean, Record of Conversation with Hinton in the State Department, 30 Nov. 1965; PRO FO371 182378 10810 107, Barclay to FO, tel.36, 29 Oct. 1965

<sup>35</sup> PRO T312 1015, Paris to FO, 24 Nov. 1965

government as to repudiate him directly enabled the Conservatives to take advantage in appearing to have a more credible policy towards the EEC. To agree with him, however, could make it seem as if the British were teaming up with the French in the organisation of European defence. Thus, de Gaulle put the ball back in Britain's court: if Britain wanted to intervene in the EEC's crisis, British policy would have to be much more clearly defined.

The introduction of supranationality as the major concern in the crisis exposed the splits in the British establishment as to what kind of Europe Britain wanted to join. The DEA saw opportunities in the crisis. Eric Roll wrote to the Foreign Office's Permanent Under Secretary Paul Gore-Booth in October to argue that the French would 'win' the crisis. Britain's position should be to wait until the problems were settled and then to offer to team up with the French in a new Community based on the erosion of the supranationality. It was less that the DEA hated supranationality than that Roll saw that the end of supranationality would remove one of the major objections amongst Britain's political elite to membership. After France had won, it would be easier to take Britain into Europe.<sup>37</sup> Roll's minute bore the hallmark of Brown's enthusiasm for Community membership and reflected the DEA's preference of an Anglo-French economic and political condominium leading the Community, forging links in planning and technological research. A union against supranationality was also Harold Wilson's preference. He told Geoffrey de Frietas, the head of Britain's delegation to the Council of Europe: 'we ought to avoid appearing to take sides in the EEC dispute. Nor should we

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<sup>36</sup> PRO T312 1015, Paris to FO, tel.792, 24 Nov. 1965

<sup>37</sup> PRO T312 1015, Roll to Gore-Booth, 20 Oct. 1965; Wallace, *Domestic, op.cit.*, pp.142-3

say anything about supranationality, which in any case, we oppose'.<sup>38</sup> The DEA could therefore expect their interpretation to find favour with the Prime Minister.

The Foreign Office disagreed with the DEA's analysis and were careful to bypass interdepartmental discussion when Stewart wrote to Wilson in December to urge a more proactive policy towards the crisis.<sup>39</sup> The main difference was their assessment of the risk de Gaulle and the French posed to Britain's interests in the Kennedy Round, but more importantly in the Atlantic Alliance. It was unlikely that France would 'win' the crisis and eradicate supranationality. If this happened the Community would have collapsed and so the European balance would lie in ruins. Even if France did 'win' and the Community remained intact, the objectionable features of the Community now favoured by the French, such as the CAP, would still exist and would still form obstacles to the acceptance of membership by Britain's political elite. In addition, the Foreign Office did not want to encourage de Gaulle and to support him in his struggle against the Five. On the contrary, de Gaulle's policies towards NATO meant that he had to be restrained and the Five supported to prevent him from getting his own way.

As Palliser had enunciated in February 1965, Britain had to work to limit de Gaulle's options, to prevent him from using the EEC crisis to exert gains in his objectives in the Atlantic Alliance. At the same time, British willingness to join the Community would strengthen the hand of the Five against the French, shoring up the alternatives to a Gaullist-led Third Force Europe and ensuring that the Five did not acquiesce to the General. As well as

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<sup>38</sup> PRO PREM13 309, Wilson – De Frietas, 16 Sept. 1965

<sup>39</sup> PRO PREM13 904, Stewart to Wilson, 10 Dec. 1965

aiming to curb the influence of de Gaulle, the Foreign Office wanted to ensure that the EEC did not break up. The collapse of the Community would destroy the impulse to stability that kept the Western European countries bound together. In particular, French nationalism could prove contagious in Germany. Alternatively, after de Gaulle's departure or death, in a Community shorn of its supranational elements, the Germans would be certain to dominate.<sup>40</sup>

In making this assessment, the Foreign Office made public its conclusion that Britain must come down on the side of supranationality. Partly, declaring support for the Five and so for supranationality was a reflection of the Foreign Office's goal to work against de Gaulle's objectives. Only if Britain appeared to offer something different from de Gaulle could the British hope to make an impact on the will of the Five.<sup>41</sup> It also reflected a shifting interpretation of Germany, a recognition that in the DEA's version, even an Anglo-French directorate of the European Community would ultimately be unable to contain the strength of a reunified Germany. This sentiment was echoed by Stewart's paper in August, advocating a softer approach towards the Germans in order to bring Germany to support Britain's initiative in pressing for a Non-Proliferation Treaty after the disarmament conference in Geneva.<sup>42</sup> At a time when it seemed possible to unlock the tangle of the Cold War, moving towards détente with the Soviet Union and so towards possible German reunification, Britain's participation in the EEC was an essential counterweight to renewed German strength. In what would

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<sup>40</sup> *ibid.*; FO371 182400/M10836 37G, SC(65)27, Britain's Policy Towards Developments in the Community, 20 Sept. 1965; Ellison, 'Britain's Place', *op cit.*

<sup>41</sup> PRO FO371 182400/M10836 37G, SC(65)27, Britain's Policy Towards Developments in the Community, Foreign Office Steering Committee, 20 Sept. 1965



amount to a real reversal of Britain's policy to date, Stewart advocated that Britain declare acceptance of the Treaty of Rome, showing that Britain was willing to adapt to the conditions and provisions of the European Community.<sup>43</sup>

But did Stewart see this dramatic reversal of Britain's tactics as a real opportunity to achieve membership of the European Community? Here there are further considerations that need to be taken into account. It seems undeniable that some kind of development of Britain's policy was necessary to meet the demands of the crisis. Britain's objectives had not changed since the bridge-building policy, but the government was now forced, by the external shifts, to run faster and faster to stand still. In order to rein in de Gaulle's options and to sustain Britain's influence on the continent and in the USA, who had pressured Britain to move, Britain had to show itself to support the continuation of the supranational development favoured by the Five. If the Five could not reach accommodation with de Gaulle, whose actions nobody could readily predict, then Britain had to be primed with a firm response. As Gore-Booth put it in January: 'in no case would a negative response be appropriate'.<sup>44</sup> If the Community broke up, Britain could step in and reconfigure the Community, gaining better terms from the Five and leaving a chair open for the French to return. The very knowledge that Britain would support them against the French would give extra courage to the Five to continue to resist de Gaulle. In effect, de Gaulle knew that if he demanded too much, the Five could pressure very hard, a move supported by public opinion, to bring Britain into the EEC. Conversely, without any checks via public

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<sup>42</sup> PRO CAB129 122, C(65)119, Policy Towards Germany, Foreign Secretary, 5 Aug. 1965

<sup>43</sup> PRO PREM13 904, Stewart to Wilson, 10 Dec. 1965

opinion, de Gaulle would be much more likely to extract a high price from his partners. Public support could grow for the Gaullist alternative; or the Five, because of the lack of options, could settle for peace with the French. A British reaction was therefore highly appropriate and only Britain was in a position to act. As Stewart commented to Wilson: 'it is a turning point: we must do what we can to make a French victory less likely'.<sup>45</sup>

Achieving membership was extremely unlikely. In any case, the rules of the Rome Treaty insisted on a unanimous decision to admit a new member, so unless France really had left the Community, it would not be possible to join.<sup>46</sup> As to whether or not the British wanted to go so far as to push France out, the Foreign Office were divided. Con O'Neill, now head of the European Economic Organisations Department, welcomed the opportunity to precipitate France's departure. He commented:

for my part if I were able to push France out of the Community it is a responsibility I would willingly accept. If by making a European declaration of intent we stiffen the Five and help them to resist French terms to the point where France might fail to get her way and so encourage the Five to turn to us, we could hardly be said to have been responsible for pushing her out. If as is unlikely, France finds herself a year hence outside the Community it will surely be not we or the Five who have driven her out, but her own policy.<sup>47</sup>

O'Neill's judgement reflected the organisation of a department whose primary aim was to get Britain into the Community to the exclusion of other goals; and whose motivation was to stymie the actions of de Gaulle who had so brutally

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<sup>44</sup> PRO T312 1016, Possible Approach from the Five, Gore-Booth, 25 Jan. 1966

<sup>45</sup> PRO PREM13 904, Stewart to Wilson, 10 Dec. 1965

<sup>46</sup> PRO T312 1016, Possible Approach from the Five, Gore-Booth, 25 Jan. 1966

<sup>47</sup> PRO FO371 182378/M10810 102, O'Neill to Barnes, 14 Oct. 1965

excluded Britain. Theoretically, his thinking made sense. British support could encourage the Five to resist the French to the extent that de Gaulle, exasperated, would pull out of the Community and Britain would come in. Practically, O'Neill himself recognised that this was unlikely to happen.<sup>48</sup> None of the Six seriously wanted to jeopardise the economic arrangements of the Community.<sup>49</sup> In the last resort, de Gaulle would not leave the EEC. O'Neill was motivated partly by Miriam Camps, who had suggested the policy in the first place.<sup>50</sup> He also wanted to take the opportunity to press for an advance of Britain's membership policy. On the other hand, the Head of the Western Department, John Barnes, was much more cautious in his approach. Barnes was wary of using the crisis to further Britain's objectives towards membership in case this should serve to jeopardise Britain's policy in NATO. Tactically, Britain's policy towards de Gaulle's obstructionism in NATO was to continue as if nothing was happening in order to minimise the impact of de Gaulle's policies.<sup>51</sup> Again, this policy operated in the domain of public opinion. Antagonising de Gaulle would provide him with the justification he needed to take France out of NATO, enabling him to tell his people that France was not leaving, but had been pushed out. Barnes argued:

I wonder if it would be a good thing for us to be responsible for pushing France out of the Community, even if we were thereby helped to enter it. Not only would this be inconsistent with our declared support for the Community and desire not to make capital out of its troubles, it would also be inconsistent with our policy towards NATO where we are trying to avoid

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<sup>48</sup> *ibid.*

<sup>49</sup> PRO FO371 182400/M10836 37G, SC(65)27, British Policy towards Developments in the EEC, Foreign Office Steering Committee, 20 Sept. 1965

<sup>50</sup> PRO T312/1015, Camps to O'Neill, 10 Oct. 1965

<sup>51</sup> Ellison, 'Dealing', Daddow (ed.), *Wilson, op.cit.*

precipitating a crisis with France and even more to avoid driving France out of NATO.<sup>52</sup>

The EEC crisis was therefore seen as an opportunity for the British to further policy towards eventual membership of the EEC. It was indeed essential to make some kind of gesture: standing still would relegate Britain to the sidelines while the Six decided their future in terms likely to be detrimental to Britain's interests. While O'Neill saw the opportunity to act, Barnes queried the wisdom of pushing too hard for fear of sparking off a deeper crisis in the Alliance that Britain and the USA were desperate to avoid. Nevertheless, Britain's policy continued to shift slowly towards a membership strategy.

The problem for the Foreign Office was that in order to develop a convincing policy of influencing the Five, they wanted to make a declaration of intent to accept the Treaty of Rome. Such a statement represented a much greater commitment to membership than the government were currently willing to acknowledge.<sup>53</sup> Membership therefore had to play a central part in thinking about the British response to the crisis and in any case, bringing the government to a more forthcoming membership policy was a desirable goal in itself. It was therefore tempting to play up the centrality of the role Britain could play in order to convince the Prime Minister to take any action. The Planning Staff, led at this point by John Thomson, supported O'Neill's suggestions.<sup>54</sup> Burke Trend and Philip Rogers in the Cabinet Office also considered that Britain should do something to show her hand in favour of the Five. Given the fact that ministers had not even begun to consider the economic implications of membership, it would not be possible to make the

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<sup>52</sup> PRO FO371 182378/M10810 102, Barnes to O'Neill, 14 Oct. 1965

<sup>53</sup> PRO CAB164 10, Rogers to Trend, 5 Jan. 1966

declaration that O'Neill and Stewart suggested. Instead, Rogers proposed that Britain let it be known on the continent that studies had begun on the subject of membership.<sup>55</sup> These considerations prompted Michael Stewart to decide to take the Foreign Office's policy suggestions straight to the Prime Minister in December.

Wilson's response showed his reservations, not with the principle of the policy, but with the methods of going about it. He commented:

there is a lot here I find hard to swallow. Why should we find the acceptance of French conditions 'dangerous' since they reject supranationality, play down the Commission and oppose majority voting? These ought to help us and also minimise the dangers of an exclusively European foreign policy and ultimately European deterrent. On agriculture and the Commonwealth there seems to be no analysis to the cost to our balance of payments. All the figures I have seen would seem to be ruinous to our already vulnerable balance of payments. It is still a recipe for high prices therefore high wages and high industrial costs. On planning I am sure that had we been in the EEC last year we would have had to accept full deflation – as Italy were forced by the EEC to do.<sup>56</sup>

Wilson's linking of supranationality and the idea of an 'exclusively European foreign policy' go some way to explaining the way in which the government viewed its defence policy towards the Europe and thus its attitude to EEC membership. As the above quote shows, the Prime Minister conceived of Britain's participation in a supranational Community as a step away from Britain's Atlantic relations. Membership of a supranational Europe would encourage development in a federal direction and at the same time would

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<sup>54</sup> PRO FO371 182378/M10810 102, Thomson memorandum, 13 Oct. 1965

<sup>55</sup> PRO CAB164 10, Rogers to Trend, 5 Jan. 1966

<sup>56</sup> PRO PREM13 904, Wilson comments on Stewart to Wilson, 10 Dec. 1965

eschew Britain's traditional conception of a Europe organised around Anglo-French leadership. This would weaken Britain's links with the USA.

Yet, officials no longer saw it like this, interpreting Britain's participation in the European Community as an essential pre-requisite of continued UK influence in the USA and as a means of keeping Europe 'outward looking' in defence. These ideas were linked to a conception of Germany and also to Britain's policy towards détente. Oliver Wright, Wilson's Private Secretary, commented that 'it seems to me utterly lunatic to base a European policy on sucking up to the Germans and doing down the French'.<sup>57</sup> 'Sucking up to the Germans' would annoy the Soviet Union and so would jeopardise Britain's traditional attempts at securing détente, in turn relegating Britain's power position further. The Minister of Housing Richard Crossman equated France's interests with Britain's as de Gaulle was working towards détente and in the short-term wanted to keep Germany divided and away from nuclear hardware. As well as concerns for détente, Crossman's objection to 'sucking up to the Germans' was also more visceral. Giving the Germans what they wanted had never worked: 'two souls live in every German breast...every time in the past when we have been felt by the Germans to be appeasing their worst instincts out of a desire to get their help, they have responded not with gratitude but with contempt. This was the lesson of Munich'.<sup>58</sup>

The views of Wright and Crossman explain the extent to which Foreign Office thinking had shifted. For Crossman, Britain's influence could be exercised from the outside, by pursuing détente with the USSR and stability in Europe through links with France. It seems likely that Wilson shared this

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<sup>57</sup> PRO PREM13 905, Wright to Wilson, 1 Feb. 1966

<sup>58</sup> PRO T312 1016, Crossman to Wilson, 1 Feb. 1966

view, seeing Britain's influence as deriving from her position outside the Community and understanding that this position helped to keep the 'twin pillars' of the Atlantic world together. The Foreign Office, however, thought that Britain had to be inside the EEC in order to exercise this influence and in order to keep Europe facing towards the Atlantic. Barnes developed this thought later in the year:

European co-operative defence arrangements are perfectly compatible with Atlantic co-operation in defence. We do not however have to choose between Europe and America. The interests of the two in the fundamental questions of defence are too close for that. But our existing influence with USA can be complemented and increased by exercising influence in Europe, so that we share in the general European influence on the US. We must be careful not to try to represent ourselves as acting as a link between the rest of Europe and North America, as this would irritate the French and the other Europeans.<sup>59</sup>

As well as differences in conception of Britain's political and defence relations, Wilson also expressed reservations because of Britain's economic interests. His handling of the dangers to the Commonwealth indicated that his attitude had shifted from his earlier visions of 'a death-blow to Commonwealth trade'.<sup>60</sup> Rather than the cost to the Commonwealth, Wilson expressed the problem as the balance of payments impact to Britain of higher priced food imports. The Rhodesian problem had perhaps taken its toll on Wilson's adhesion to the political centrality of the Commonwealth, but his attitude also reflects a step away from his economic intentions to privilege Commonwealth trade. Following repeated evidence that the Commonwealth were not interested and that prioritising the Commonwealth ran counter to

Britain's efforts in GATT, Wilson does seem to have accepted that an economic regeneration of the Commonwealth would not be possible.<sup>61</sup> Criticising the balance of payments also reflected Wilson's recognition of the additional burden of seeking membership while Britain was economically weak. The kind of interim economic controls favoured by Wilson to mitigate the balance of payments by restricting capital flows and imports would be impossible under the Treaty of Rome.<sup>62</sup> As the EEC also ruled out currency devaluation, Britain would effectively be left with little option but deflation to mitigate sterling weakness. These short-term economic problems would create unwelcome links between a membership initiative and the fate of the parity of the pound.

Furthermore, Wilson objected to making a declaration of intent to accept the Treaty of Rome. No action was taken in December. The Prime Minister's economic objections led to realisation in the Foreign Office that their optimum policy was impossible. Any move towards membership would have at the very least to involve a thorough review of the economic aspects of policy.<sup>63</sup> But as the Six advanced towards reconciliation at Council Meetings late in January, the realisation that the opportunity could slip led Stewart to meet Wilson on 19 January and to attempt to convince him to act. Wilson agreed, but insisted that a declaration of intent to accept the Treaty of Rome was impossible because of the 'political repercussions that would ensue'.<sup>64</sup>

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<sup>59</sup> PRO FO371 190514/W6 10, Barnes comment, 16 Dec. 1966

<sup>60</sup> PRO PREM13 306, Wilson comments on Stewart to Wilson, 3 Mar. 1965

<sup>61</sup> CAB134 1746, ED(ER)(65)32, Meeting Commonwealth Trade Officials, President of the Board of Trade, 29 Nov. 1965

<sup>62</sup> PRO T312 1015, Cairncross to Atkinson, 19 Oct. 1965

<sup>63</sup> PRO FO371 188327, Laskey to O'Neill and O'Neill comments, 5 Jan. 1966; PRO CAB164 10, Rogers to Trend, 5 Jan. 1966

<sup>64</sup> PRO PREM13 905, Stewart to Wilson, PM/66 3, 21 Jan. 1966, reporting meeting of Wilson on 19 Jan. 1966



Fundamentally, a declaration of intent would suggest Britain's readiness to adopt all of the economic provisions of the EEC, including the CAP. Here were the grounds for contention to which Wilson's ministers would be certain to object: not the principle of Britain's involvement with the EEC, but the terms under which this would occur. It would be impossible for Wilson to declare acceptance of the terms before discussing this issue with ministers. Instead, Wilson suggested a tour by a 'prominent person', without specifying who, of the countries of the Six to show Britain's continued interest in the prospect of membership and to take soundings on the kind of conditions Britain would be able to negotiate.<sup>65</sup>

He also suggested that officials began studies of the economic implications of membership. Under Eric Roll, a group of interested officials had already agreed to begin studies of possible membership. This appeared to be an independent official initiative, as they promised to keep the studies entirely secret from ministers: 'officials would neither report to ministers that they were working on questions connected with our future relations with Europe, nor inform them how that work was progressing'.<sup>66</sup> For the Foreign Office, Wilson's decision was just enough. Stewart was dubious about the benefits of a tour by a prominent person, as unless the person had 'something new' to say, there would be no point touring Europe to reiterate Britain's objections to membership.<sup>67</sup> But, it would be possible to let it be known in the European Community that the Prime Minister had endorsed studies of

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<sup>65</sup> *ibid.*

<sup>66</sup> PRO FO371 188328/M10810 37, Meeting in Roll's Room, 26 Jan. 1966; FO371 188328/M10810 39, Wilson to Stewart, 2 Feb. 1966; Young, *Blessed*, *op.cit.*, p.186

<sup>67</sup> PRO PREM13 905, Stewart to Wilson, 26 Jan. 1966

membership.<sup>68</sup> This could be enough to encourage the Five in their resistance to the French, as well as to ensure Britain was not forgotten in the EEC.

Wilson's decision in January 1966 to endorse secret studies of membership can be seen as a turning point in his policy. It is the first cast-iron indication that he intended to take on the economic implications of membership and so to advance towards a membership strategy. This was in contrast to his policy in May 1965, when although he had shown himself sympathetic to the Foreign Office's political goals, he had not been willing to address the economic aspects of a membership policy. Indeed, he may have felt that 'bridge-building' could prove an adequate substitute, asserting Britain's political influence and bringing, alongside the Kennedy Round, further tariff reductions. The empty chair crisis shattered these aspirations and as de Gaulle turned a crisis over agriculture into a major debate over the Community's political future and the nature of Atlantic defence, so Britain was drawn in. Britain's foreign policy objectives remained consistent: to narrow de Gaulle's options and to provide alternatives to settling for a Europe organised along Gaullist lines and crucially, to increase Britain's waning influence both in Europe and in the USA. Wilson appeared to be convinced by the Foreign Secretary and the Foreign Office that Britain did have a role to play in saving Europe from itself. The timing of his response in relation to Foreign Office pressure certainly seems compelling.

However, domestic political concerns remained extremely important to him. He may have wanted to formulate policy in order to head off pressure

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<sup>68</sup> PRO CAB164 10, Rogers to Trend, 4 Jan. 1966

from the pro-European George Brown.<sup>69</sup> He certainly wanted a strategy with which to outflank Heath. Interestingly, he continued to present the policy as one thought of by himself. Just after the meeting with Stewart on 19 January, he told Hetherington that 'he was thinking of stirring things up a bit'. During another 'long bath' several days ago, he had decided to 'make an offer to the Common Market'. His motive was to 'corner Heath': to outflank the Conservative Prime Minister who had so openly approached the French and declared Conservative support for the Treaty of Rome.<sup>70</sup>

Despite this domestic political aspect, Britain's reaction to the empty chair crisis was diplomatically sensible. It may not have been quite what the EEC wanted, but as Camps notes, the British had moved towards the Five without [doing] 'anything mischievous'.<sup>71</sup> The expectation of Britain's eventual membership had again been raised.<sup>72</sup> But, as the Six settled their differences at Luxembourg on 31 January 1966, Britain's ability to influence in the European Community diminished. Consequently, Stewart moved to stall Wilson's wish for a tour by a 'prominent person'. The Six, he noted, were now 'mending their fences' and would regard as unwelcome any advance from the British: 'a move now would look as if we had missed the bus and were looking to see where it had gone'.<sup>73</sup> With the settlement of the next stage in the CAP and of the EEC's offers in the Kennedy Round still to decide, the Six would be very busy with their own affairs.<sup>74</sup>

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<sup>69</sup> On the forthcoming election, Pimlott, *Wilson, op.cit.*, p.396; PRO PREM13 904, Brown to Wilson, 18 Jan. 1966

<sup>70</sup> LSE, Hetherington Papers, 11 4, Meeting with Wilson, 20 Jan. 1966

<sup>71</sup> Camps, *European, op cit.*, p.182

<sup>72</sup> *ibid.*, p.185

<sup>73</sup> PRO PREM13 905, Stewart to Wilson, 3 Feb. 1966

<sup>74</sup> Ludlow, 'Eclipse', *op.cit.*, pp. 252-263

So, as Britain mobilised, expectations raised, the Six retreated to the time-consuming business of Brussels. Furthermore, exactly how Wilson intended to execute his membership strategy was completely undecided. While Wilson had accepted the need to exert Britain's influence in Europe and to prevent there the growth of a political unit from which Britain was excluded, he had far from accepted the Foreign Office's conclusions that Britain must plunge into a supranational Community. National sovereignty, Britain's role vis-à-vis Germany and Britain's policy towards détente still stood as obstacles in the Prime Minister's conception that involvement in a supranational Community would lead to an 'exclusively European foreign policy'. His attachment to the Commonwealth, although waning, still remained and the balance of payments had moved to form a central economic counter-argument to a membership bid. Thus, although January 1966 was a turning point, it was not a straight path from here to October 1966, when the European initiative began.

### 3. The Politics of Decision, March – October 1966

As the March 1966 election approached, Wilson publicly shifted forward Labour's position towards the European Community. In a distinct advance from the 1964 election manifesto, he stated that Britain would be ready to enter Europe 'if safeguards for our interests can be negotiated'.<sup>1</sup> For electoral reasons, he continued to use the 'conditions' of membership as a means of demonstrating Labour's superiority over the Conservatives in dealing with Britain's national interest. Wilson did not in fact reiterate the 'conditions' Labour would seek, but argued that 'Tory terms' would lead to an unacceptable increase in the import bill and disruption of Commonwealth trade, adding that Britain would never accept supranational control over foreign and defence policies.<sup>2</sup> In addition, he was able to play on recent French suggestions that Britain might be able to join the Community to make the pro-European leader Edward Heath look weak, while dismissing France's claims, a goal consistent with foreign strategy.<sup>3</sup>

Behind the scenes, Wilson shifted the personnel around him to facilitate any potential initiative towards the Community. The most significant move was that of the Planning Staff's Michael Palliser to replace Wright as the Prime Minister's Private Secretary. Not only was Palliser a firm supporter of Britain's membership of the Community, he was also married to the

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<sup>1</sup> Young, *Britain, op.cit.*, pp.90-91; Camps, *European, op.cit.*, pp.185-191; Young, *Blessed, op.cit.*, p.186; Wilson, *Labour, op.cit.*, p.218; Castle, *Diaries, op.cit.*, p.61

<sup>2</sup> PRO PREM13 905, text of speech delivered to Central Hall, Bristol, 18 Mar. 1966

<sup>3</sup> See Young, *Britain, op.cit.*, p.90; Young, *Blessed, op.cit.*, p.186; on France's offer, PRO PREM13 905, Reilly to FO, tel.152, 21 Feb. 1966; PRO FO371 188331 M10810 106, FO to Missions, Guidance tel.101, 17 Mar. 1966; on making Heath look like a Gaullist, PRO PREM13 1043, Wilson to Stewart, 15 Mar. 1966; on Foreign Office attitude towards the

daughter of the Belgian Foreign Minister, Paul Henri Spaak. As Palliser remembered: '[I told Wilson that] "I am a tremendous believer of entry into Europe and I would not want you to take me on under a misapprehension"...He laughed and said, "you'll see, we won't have any problems on that front". And of course, nor we did'.<sup>4</sup> At ministerial level, George Thomson was moved to Chancellor of the Duchy of Lancaster, working inside the Foreign Office but outside the Cabinet, with special remit for European affairs.<sup>5</sup> However, in the face of de Gaulle's veto, exactly how Britain could get into the Common Market was still unclear.

Thus, from March to early July, the government explored different approaches to EEC membership. In July, the collapse of the government's economic policy radically changed the government's outlook. Pressures resulting from the economic and domestic political crisis finally forced the decision towards which Harold Wilson had been ambivalently edging. July 1966 was a turning point: policies after the crisis were of a different nature and the sense of failure pervaded Cabinet's acquiescence to Wilson's shift. At Chequers in October, Wilson announced his intention to embark on a tour of the countries of the Six to determine whether the conditions existed for membership. The Cabinet's lack of options following the failure of the Plan meant that the decision was not a decisive and deliberate attempt to break with the past.

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French offer, FO371 188330/M10810 79, Possible Approach by France, Con O'Neill, undated, March 1966

<sup>4</sup> Sir Michael Palliser, Interview with author, 24 Aug. 1999

<sup>5</sup> PRO PREM5 467, List of Cabinet Ministers, 1 Apr. 1966

## How To Get Into the Common Market

Hope of making an early move towards the EEC was stifled in the spring of 1966. Eric Roll's report, begun in the January secret studies, ruled out a membership initiative in the short-term. This was not through lack of support for the principle of EEC membership. On the contrary, the report, organised through the DEA but involving all the key departments, believed that the UK had no choice but to accept EEC membership in the long-term. Membership was the only way of sustaining Britain's position as a key actor on the international stage:

the reasons for joining the Community can equally well be expressed as the disadvantages of exclusion from...a larger aggregation of economic, political and military power and potential than the UK possesses...There would be a level at which the British economy would be viable, provided that our external commitments and internal consumption were related to our economic capacity. But the adoption of such a course by a country which, unlike Sweden or Switzerland, has not opted for a role of international neutrality would clearly relegate the UK to a position of secondary influence in world affairs...[this] would constitute a radical change in thinking of and circumstances to which the British people have become accustomed and to be a break with the role that the country has tried to perform hitherto.<sup>6</sup>

Whitehall's unwillingness to endorse a short-term move resulted principally from the Treasury. The Chancellor's adviser Robert Neild, the Head of Overseas Finance (Western European) John Owen and Ambassador to

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<sup>6</sup> PRO EW24 53, Future Relations with Europe, Roll Report, 30 Mar. 1966; this was forwarded to ministers in May as PRO CAB134 2705, E(66)2, Future Relations with Europe, 5 May 1966, along with the covering note

EFTA Frank Figgures all recommended that Britain do nothing until at least the end of 1967, and possibly for up to five years.<sup>7</sup> Their concern was the cost to the balance of payments of membership. The problem was that the Six, better apprised of Britain's financial difficulties because of the frequent calls for assistance to support sterling, could insist on a sterling devaluation before Britain was permitted to enter. The £900m of debt accumulated since 1964 added to the problem, as the government would have to be able to demonstrate exactly how it intended to generate enough growth to pay back its arrears.<sup>8</sup>

Sterling's position as a reserve currency could also force Britain to choose between a world and a European role. Once inside the Community, Britain would be unable to use devaluation as a tool of policy to correct any payments deficit. The alternative of import restrictions would mean, because of Britain's commitment to trade with the Community countries, imposition of controls against the Commonwealth and EFTA. Choosing Europe would force Britain to break with long-standing trading policies. Furthermore, Britain could have to turn to Europe for assistance to prop up the pound and the Europeans would be likely to insist on more objectionable conditions than did the USA.<sup>9</sup> Britain's economic position also gave strong arguments to the French for keeping Britain out in the short term as they could show that Britain's economy was too weak to cope with the economic rigours of membership. Thus, the negotiations could hinge on Britain's economic potency and so it would be prudent to wait until the economy was stronger.<sup>10</sup>

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<sup>7</sup> PRO T312 1018, Owen to Figgures, 30 Mar. 1966; Neild comments, 4 Apr. 1966; PRO EW24 53, Figgures to O'Neill, 17 Mar. 1966

<sup>8</sup> PRO EW24 53, Figgures to O'Neill, 17 Mar. 1966

<sup>9</sup> *ibid.*; PRO EW24 53, Roll Report, 30 Mar. 1966

<sup>10</sup> PRO EW24 53, Figgures to O'Neill, 17 Mar. 1966



Although the Foreign Office wanted to push for acceptance of EEC membership in principle, tactically they agreed that the government should not attempt a second European initiative at least until the end of 1967. There were two main reasons for delay. First, after the empty chair crisis, the Community wanted time to resolve its internal difficulties. The Six had to settle the next stage of the CAP, over which the empty chair crisis had broken. A membership bid from Britain would inhibit the Six's progress. The Six were all anxious to conclude agreement on the divisive issue of agricultural financing in order that the Community's transitional period could be completed.<sup>11</sup> The Italians in particular, who sought to add 'southern' European agricultural produce to the CAP, thought de Gaulle could use a British membership bid as an excuse for delay.<sup>12</sup> The British did not want to jeopardise the Community's progress; nor did they want to issue a bid that would only be ill-received. Secondly, the Foreign Office did not want a membership bid to divert attention and time away from the more serious crisis in NATO.<sup>13</sup> On 9 March, de Gaulle told Johnson of his intention to extricate France from the Allied Command Structure of NATO and to expel American troops from French soil.<sup>14</sup> Although de Gaulle's actions strengthened the case for Britain's ultimate accession to the Community, the Foreign Office were wary that an initiative could involve Britain in dangerous bargaining with the General, providing de Gaulle ample opportunity for extracting concessions from the UK or from the Five.

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<sup>11</sup> PRO T312 1018, cover note, 24 Mar. 1966; see also PRO FO371 188334/M10810 154, UK Membership of the EEC, Roberts to FO, 29 Apr. 1966

<sup>2</sup> PRO PREM13 905, Ward to FO, tel.391, 22 Apr. 1966

<sup>3</sup> PRO T312 1018, cover note, 24 Mar. 1966

<sup>4</sup> Bozo, *Two Strategies*, *op.cit.*, pp.164-166

Michael Stewart made clear that France's policy towards NATO enhanced the imperative that Britain must eventually join Europe. He told the Defence and Overseas Policy Committee that France's withdrawal 'creates a gap which other countries and public opinion in France would like to see filled by stronger UK influence in Europe'.<sup>15</sup> The problem was the increase in German influence in the European sphere of NATO following the withdrawal of the French: 'if France is taken out of the pool the German fish looms proportionately larger'.<sup>16</sup> French nationalism could prove contagious in Germany, leading to the collapse of the Western security system. In any Franco-German partnership shorn of its impulse to greater European integration, Germany would eventually come to dominate.<sup>17</sup> The risk to the security system was less the diplomatic actions of de Gaulle or the response of the Germans: as there was little serious doubt that Erhard would rationally choose to follow the French out of the Alliance.<sup>18</sup> Britain had to guard against the increase in German influence and to ensure also that the USA did not come to attach greater weight to Germany's demands and insist on a solution to the German question that allowed German access to nuclear hardware. As Nichols pointed out 'if we play our cards properly, there is no reason why the Americans should go too far in leaning towards Germany at our expense. We must permanently guard against lapses, like the MLF'.<sup>19</sup>

In addition, de Gaulle's withdrawal had serious implications for sustaining the legitimacy of the Atlantic Alliance as the best means of working

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<sup>15</sup> PRO CAB148 25, OPD(66)18<sup>th</sup>, 5 Apr. 1966

<sup>16</sup> PRO FO371 190534/W6 3, Barnes comment on Thomson to Barnes, 18 Apr. 1966; Ellison, 'Dealing', *op.cit.*

<sup>17</sup> PRO CAB148 69, OPD(66)9, The International Consequences of General de Gaulle's Foreign Policy, Foreign Office, 25 Mar. 1966

<sup>18</sup> PRO FO371 190534/W6 3, Thomson to Barnes, 13 Apr. 1966

towards East-West détente. By offering the first new vision of détente following the relaxation of tension after the Cuban missile crisis, de Gaulle could encourage questioning in public and political opinion as to the purpose of the Atlantic world.<sup>20</sup> His alternative was rapprochement between France and Russia, apparently allowing German reunification through a 'Europe from the Atlantic to the Urals'.<sup>21</sup> French actions could encourage latent doubts as to the purpose of the American security guarantee, which could in turn limit the options of Europe's politicians.<sup>22</sup> In particular, opinion in Belgium thought that the General genuinely could offer a path towards détente, with Spaak telling Palliser that the Belgians did not want to be left alone with the Germans in Europe.<sup>23</sup> In this environment, American pressure for Britain to play a role in the advancement of European unity increased. Only Britain could help to keep alive the European impulse within the wider Atlantic system, by encouraging the Five to believe that there was a viable alternative to de Gaulle. Johnson urged Wilson: 'Our best hope of peace and stability lies in the inclusion of Germany in a larger European unity, in which any latent nationalistic drives can be submerged. I am sure that you and your country hold the key to this possibility and that you can play a role of great leadership in Europe'.<sup>24</sup>

At the same time, the Foreign Office feared that a British initiative could drive a wedge in NATO and could provide de Gaulle with valuable

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<sup>19</sup> PRO FO371 190534/W6 3, Nichols comments on Thomson to Barnes, 14 Apr. 1966

<sup>20</sup> Frederic Bozo, 'Détente versus Alliance: France, the United States and the Politics of the Harmel Report, 1964-1968', *Contemporary European History*, vol.7, no.3 (1998), pp.345-8

<sup>21</sup> *ibid.*, p.345;

<sup>22</sup> For example, PRO CAB148 25, OPD(66)15<sup>th</sup>, 9 Mar. 1966 and 16<sup>th</sup>, 17 Mar. 1966

<sup>23</sup> PRO PREM13 933, Stewart – Schroeder, 4pm, 23 May 1966; PRO PREM13 906, Palliser to Wilson, 31 May 1966

<sup>24</sup> PRO PREM13 906, Johnson to Wilson, tel.5288, 23 May 1966

ammunition in the pursuit of his policies.<sup>25</sup> The priority for the British Foreign Office and for the US was to ensure the continued functioning of NATO. Thus, President Johnson rejected calls from the State Department for the pursuit of directly anti-Gaullist policies.<sup>26</sup> Rather, the US response should be 'calm and bland'; aiming to show de Gaulle that NATO could carry on without the French and attempting also to bring home to French public and political opinion the implications of de Gaulle's policies.<sup>27</sup> By sustaining the legitimacy of the Atlantic security system and showing that de Gaulle was the main obstruction to European peace, the British and Americans could hope to undermine support for de Gaulle within France and so hasten his departure from office.<sup>28</sup>

Britain's ultimate accession to the EEC was a crucial part of this strategy. But an immediate initiative could give de Gaulle grounds to argue that Britain and America wanted to push France out of NATO and the EEC, so providing justification for his policies. As Stewart put it:

in general, we must make it clear that we are not drumming France out of NATO. If France breaks with NATO, it is her own choice and not ours. The damage to French interests is being done by General de Gaulle. We must be careful not to use threats which could rally French opinion behind the General... Our line should be sorrow rather than anger, confidence rather than panic.<sup>29</sup>

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<sup>25</sup> That the French did employ these arguments is clear in Gérard Bossuat, 'De Gaulle et la seconde candidature britannique aux Communautés Européennes, 1966-1969', Loth (ed.), *Crises, op.cit.*, pp.516-517

<sup>26</sup> Ellison, 'Dealing', *op.cit.*, see also *FRUS*, Western European Region 1964-1968, vol. xiii, doc. 138, Bator to Johnson, 7 Mar. 1966

<sup>27</sup> PRO CAB164 28, Paris to FO, tel.181, 4 Mar. 1966

<sup>28</sup> PRO CAB148 69, OPD(66)9, The International Consequences of General de Gaulle's Foreign Policy, Foreign Office, 25 Mar. 1966

<sup>29</sup> PRO CAB148 27, OPD(66)39, France and NATO, Foreign Secretary, 8 Mar. 1966

It was also possible that de Gaulle could link NATO and the EEC in order to attempt to extract political concessions from the British.<sup>30</sup> This was a particular risk as Brown and Wilson had both shown signs of wanting to negotiate with de Gaulle, Wilson later suggesting a summit meeting between himself and the General to discuss Europe under the guise of discussing NATO.<sup>31</sup> The Foreign Office warned:

It is not inconceivable that General de Gaulle might be disposed to show greater understanding for our need for special safeguards, in joining the EEC, if he thought that we could be persuaded to acquiesce in his policies towards NATO; but we could not have it both ways: if we were to fall in with him on this issue we could expect a correspondingly cool reaction from the Five and there would in any case be no certainty that France would support us in the end. General de Gaulle may link in his mind our attitude towards NATO with his attitude to our membership of the EEC. But for us to take sides with him against the Five about the economic and political future of Europe would certainly be to put at risk not only our relations with the USA and our other NATO allies, but also our longer term relationship with Europe as a whole.<sup>32</sup>

The short-term need for caution, added to the problem of de Gaulle's veto, led to considerable difficulty in determining how Britain was going to get into the Common Market. Brown and Thomson recommended a holding operation. Thomson was despatched on a fact-finding mission to the countries of the Six to ascertain the terms Britain would be likely to be able to negotiate

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<sup>30</sup> PRO CAB148 25, OPD(66)15<sup>th</sup>, 9 Mar. 1966 and 16<sup>th</sup>, 17 Mar. 1966; PRO CAB148 69, OPD(66)9, The International Consequences of General de Gaulle's Foreign Policy, Foreign Office, 25 Mar. 1966

<sup>31</sup> PRO BT241 1323, Stewart to Wilson, 4 May 1966

<sup>32</sup> PRO CAB148 69, OPD(66)9, The International Consequences of General de Gaulle's Foreign Policy, Foreign Office, 25 Mar. 1966

in any membership settlement.<sup>33</sup> For Thomson the mission was a clear first step in Labour's attempt to get into the EEC: 'it was definitely a very strong signal that the lessons of our first eighteen months in office were such that instead of believing that we could coast along with EFTA, that we wanted to reopen the whole business of Britain becoming a full member... that was the remit that I had'.<sup>34</sup> The aim of the mission was to demonstrate interest in Britain's ultimate accession, illustrated also by Brown's speech in Stockholm in May, when he stated that the 'political will' for membership existed in Britain.<sup>35</sup> Wilson and Brown also discussed the possibility of making a declaration of intent to accept the Treaty of Rome. Brown wanted to do so in order to forge ahead with an initiative, but Wilson warned of the political difficulties of such a strategy. Announcing in advance that Britain accepted everything would, Wilson felt, prove intolerable to ministers who still expected Britain's policy to be based on the protection of Britain's 'essential interests'.<sup>36</sup> Ministers at the Europe Committee did reject Brown and Thomson's recommendation for a declaration.<sup>37</sup> There was also the prospect of weakening Britain's bargaining power prior to any negotiation. While it was still uncertain whether Britain would make an initiative, there was no point in declaring surrender to the Six: 'how could it pay us to nail this flag to the mast before knowing in practice whether the ship will ever be put out to sea?'<sup>38</sup>

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<sup>33</sup> PRO CAB134 2705, E(66)3, Relations with Europe: The Next Step, First Secretary and Chancellor of the Duchy of Lancaster, 6 May 1966

<sup>34</sup> Lord Thomson of Monifieth, Interview with author, 26 Nov. 2001

<sup>35</sup> PRO FO371 188335, Draft of Brown speech to Socialist International at Stockholm, 6 May 1966

<sup>36</sup> PRO CAB164 11, Brown to Wilson, 15 May 1966; PRO PREM13 906, Palliser comments, 16 May 1966

<sup>37</sup> PRO CAB134 2705, E(66)1<sup>st</sup>, 9 May 1966

<sup>38</sup> PRO PREM13 905, Trend to Wilson, 6 May 1966

Discussion of the conditions of membership was also difficult and was made more so by the consolidation of the CAP between the Six on 12 May. The settlement meant that Britain would be unlikely to be able to negotiate substantial changes to the agricultural conditions of accession and Erhard made quite clear to Wilson the impossibility of reopening disputes already settled.<sup>39</sup> Agricultural financing, the issue over which the empty chair crisis had broken, was too difficult to unpick for the sake of the British. The May negotiations had provisionally agreed the system of agricultural financing favoured by the French. Payments into the agricultural fund would be calculated based on the quantity of agricultural imports from third countries and would therefore punish the Germans and Italians who imported much more from outside the EEC than did the French, Dutch or Belgians. The Italians had acquiesced because they finally secured the inclusion of agricultural produce important to their producers, namely oranges, rice and olive oil, into the EEC common market. The Germans had attained agreement that the Six would submit an agricultural offer to the Kennedy Round trade talks. In addition, the Six had bargained hard to negotiate a fixed-key system for part of the payments into the agricultural fund. The quantities agreed were slightly more favourable to the importers than those originally envisaged under the Treaty of Rome.<sup>40</sup>

For Britain, the arrangements would create additional difficulties in accepting the CAP, as the burden of levy payments falling on Britain, who imported heavily from third countries, would be extremely high.<sup>41</sup> This could be expected to strengthen domestic opposition to Britain's accession,

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<sup>39</sup> PRO PREM13 933, Plenary session, 4pm, 23 May 1966

<sup>40</sup> PRO FO371 188379/M10840 53, Marjoribanks despatch 9, 17 May 1966

particularly to a declaration of support for the Treaty in advance. Brown recommended that ministers were debarred from discussing the 'conditions' of membership.<sup>42</sup> If positions hardened too early against the terms Britain would be likely to get, this would create problems for Britain's current position. Any firm announcement that Britain would not be able to accept the terms would jeopardise the Foreign Office's attempts to show interest in eventual membership and so would undermine current attempts to enhance Britain's position on the continent.

The government was also unsure as to whether or not to adopt the Foreign Office's tactics of trying to find a way into Europe through the support of the Five, or whether it could be possible to negotiate a deal with the French. Clearly, the advantage of the Foreign Office's tactic was that the Five did support Britain's membership for political reasons and this support was strengthened following France's actions against NATO.<sup>43</sup> When Erhard visited London in May, he and Wilson found a commonality of interests in meeting the Gaullist threat to the legitimacy of the Atlantic path to détente and German reunification. Erhard recognised that the French could never deliver German reunification unless Germany remained under French and Russian hegemony.<sup>44</sup> Anglo-German rapprochement within an enlarged, strengthened EEC could offer a viable image of a Europe able to take the lead in the pursuit of détente and able to provide a framework for German reunification. Erhard commented 'when de Gaulle developed his visionary notion of European

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<sup>41</sup> BT241 1323, Marjoribanks to O'Neill, 13 Apr. 1966; O'Neill to Roll, 12 May 1966

<sup>42</sup> PRO PREM13 933, Plenary session, 4pm, 23 May 1966; PRO FO371 188339/M10810 290, comments by O'Neill, 17 June 1966

<sup>43</sup> PRO FO371 190534/W6 3, Thomson to Barnes, 13 Apr. 1966

<sup>44</sup> PRO PREM13 933, Erhard – Wilson, 23 May 1966



unity, Erhard always replied it was best to begin by bringing the EEC and EFTA closer together'.<sup>45</sup>

Wilson responded that Britain was moving towards the EEC and intended to probe the possibilities of membership.<sup>46</sup> A precursor to the 'watershed' in Anglo-German relations noted between Labour and the German SPD after November 1966<sup>47</sup>, de Gaulle's actions enabled a degree of rapprochement over Britain's membership of the EEC, détente and reunification. Erhard said that he would start to examine the British case for membership with the Five and to ensure 'friendly responses' to Britain's overtures to eventual entry.<sup>48</sup> Later in July, the Foreign Minister Gerhard Schroeder suggested on German radio that there should be a 'systematic study' of the problems involved in getting Britain into Europe, in order to create a plan for British accession before negotiations began.<sup>49</sup> There was, therefore, the will in Germany to try to help to get the British in.

The rapprochement was genuine, but was designed to meet a specific crisis and could do little more than paper over the deeper cracks in the Anglo-German relationship created in part by long-standing disagreement over nuclear issues. Dispute over Germany's access to nuclear hardware meant that the two countries could not together form the ground for a lasting détente. From Britain's point of view, the American attitude, providing German access to nuclear weaponry, ran the risk of creating an American-German partnership, which, by building Germany up would in fact stifle the potential

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<sup>45</sup> PRO PREM13 933, Erhard – Wilson, 23 May 1966; see also PRO FO371 190534/W6 3, Thomson to Barnes, 13 Apr. 1966

<sup>46</sup> PRO PREM13 933, Plenary session, 4pm, 23 May 1966

<sup>47</sup> Spencer Mawby, *Containing Germany: Britain and the Arming of the Federal Republic* (London: Macmillan, 1999), p.188

<sup>48</sup> PRO PREM13 933, Plenary session, 4pm, 23 May 1966

of détente.<sup>50</sup> In Germany, the opportunity for access to nuclear weaponry was a powerful test case in the international community's treatment of Germany's sovereignty and status. These tensions were evident as Stewart and Schroeder agreed not to talk about hardware, Schroeder noting that Germany sought an integrated collective weapons system over and above a consultation solution. Stewart responded that Britain could not agree any solution that made détente less likely, as the Russians opposed any form of German access to nuclear weapons.<sup>51</sup>

The tensions in the British-German nuclear relationship came further to light in alternative membership strategies. Brown proposed to create a European defence force, based on partnership with the Germans and Americans. The force could prove so popular to European opinion, that de Gaulle could be compelled to give way on British entry. Wilson dismissed this plan.<sup>52</sup> Not only would it require Britain to allow German access to nuclear hardware, Wilson also felt that Johnson would not 'lift a finger' to support such a British-inspired bid. Despite the increased opportunities for Britain's influence created by the French actions, Britain could not afford to overplay her hand, acting without explicit US approval. In a telling aside on the state of Anglo-American relations, following Wilson's indications to Johnson that he would have to disassociate from American policies if the US bombed Hanoi and Haiphong, Wilson stressed that Johnson's only interest was Vietnam.<sup>53</sup>

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<sup>49</sup> PRO BT241 1324, Roberts to FO, tel.960, 3 July 1966

<sup>50</sup> For example, PRO PREM13 906, Palliser to Wilson, 31 May 1966; also PRO PREM13 1043, Wilson to Stewart, 15 Mar. 1966

<sup>51</sup> PRO PREM13 933, Stewart – Schroeder, 3pm, 24 May 1966

<sup>52</sup> PRO PREM13 906, Brown to Wilson, 23 June 1966

<sup>53</sup> PRO PREM13 906, Wilson comments on Brown to Wilson, 23 June 1966; on Hanoi and Haiphong, PRO PREM13 933, Wilson to Johnson, 25 May 1966; Ellis, 'Not so Special', *op.cit.*, p.189, 196

Furthermore, the root of the problem in getting into the Community via the Five was that it would probably not work. There was no real prospect that the Germans would stand up to the French and force a breach in Franco-German relations for the sake of getting Britain into the Community.<sup>54</sup> The economic interest vested in the Community was much too high for Germany to break the Community up. Nor would Britain seek a second Community crisis, with all the risks for European security and economic prosperity already emphasised during the empty chair crisis. Siding with the Five was a tactic for the long-term, building support for British entry that would ultimately overwhelm Gaullist opposition. If Britain wanted to get in now, as First Secretary George Brown realised, the only way was to hope to 'outflank' the French President, General de Gaulle.<sup>55</sup>

Not only was a deal with the French the only sure-fire way into the Community in the short term, but in many ways Wilson and Brown saw themselves as natural partners of the French in Europe. Following suggestions from Hervé Alphand, Secretary-General at the Quai, Wilson wanted a bilateral summit meeting between himself and the General to talk over Britain's wish to get into the Common Market.<sup>56</sup> Part of the attraction of a head-to-head was Wilson's diplomatic vanity and his sense that he could negotiate success where others had failed, although Stewart vetoed the suggested meeting on the grounds that it would be counter-productive to confuse the two issues of NATO and the EEC.<sup>57</sup> The Prime Minister's wish to team up with de Gaulle was also because of their shared desire to avoid submission to a supranational

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<sup>54</sup> PRO PREM13 906, Palliser to Wilson, 31 May 1966

<sup>55</sup> PRO PREM13 906, Brown to Wilson, 23 June 1966

<sup>56</sup> PRO BT241 1323, Stewart to Wilson, 4 May 1966

<sup>57</sup> *ibid.*

institution. Wilson's inclination was to oppose supranationality and to draw links with the French hostility to closer 'federal' integration.<sup>58</sup>

It was the sense that a deal with the French was the only possible way into the Community that encouraged Brown and Wilson to see the planned visit of the French President and Foreign Minister, Georges Pompidou and Maurice Couve de Murville, as an opportunity to advance Britain's European strategy. Brown and Wilson wanted the French to invite Britain to bilateral talks on Britain's policy to the EEC.<sup>59</sup> The French had suggested the meeting as the NATO crisis broke. As Bossuat has shown, French strategy was not anti-British or anti-American, but rather saw the 'European Europe' as a genuine alternative.<sup>60</sup> If Britain was willing to accept the French vision and repudiate Atlantic links, then Britain could come into the European Community. With the ambivalence in Britain's own position towards the French clear from personal relationships, for example between Bill Nield and Jean Wahl<sup>61</sup>, or Thomas Balogh and the Economic Counsellor at the Quai, Olivier Wormser,<sup>62</sup> the French may have seen a possible opportunity for an Anglo-French partnership.

The importance of Britain's relationship with the USA meant that neither Brown nor Wilson would have contemplated going this far<sup>63</sup>, but they still believed they could reach some kind of understanding with the French. British strategy centred on trying to get the French to admit they would not impose a 'political veto' on British membership should Britain apply. Using

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<sup>58</sup> PRO PREM13 905, Trend to Wilson, 6 May 1966

<sup>59</sup> PRO PREM13 907, Brown to Wilson, 29 June 1966

<sup>60</sup> Bossuat, 'De Gaulle', *op cit.*, p.526; Bozo, *Two Strategies, op.cit.*, pp.175-176

<sup>61</sup> Badel, *Commentary, op.cit.*

<sup>62</sup> Lord Roll, Interview with author, 5 Dec. 2001

the euphemism of a 'Rambouillet-Nassau situation' to invoke the experience of the 1963 veto, Wilson and Brown wanted an assurance from the French that Britain's Atlantic ties would not lead to the French barring British accession.<sup>64</sup> With the French sensitive to public opinion following their withdrawal from NATO, it could have been a good time to elicit such an assurance.<sup>65</sup>

Officials' recollections of the visit of Couve and Pompidou indicate just what a major failure the meeting was. Pompidou and Couve denied that there would be a further 'Rambouillet/Nassau' misunderstanding; a pledge that Brown took to mean there would be no second 'political veto' on British accession.<sup>66</sup> Further light is shed on Brown's attitude by Barbara Castle. In the heat of the July sterling crisis, Brown told Castle, Crossman and Benn: 'We've got to go somewhere. We can't manage alone. That is what Pompidou said to us: 'Devalue as we did and you're in'.<sup>67</sup>

Others did not take Pompidou's statement that Britain would have to devalue before membership in good faith. On the contrary, the meeting was widely seen as a humiliating failure. Roll remembered that while the British team had 'a voluminous folder of briefs, not one of the French had a single sheet of paper in front of him'.<sup>68</sup> Cairncross commented in passing: 'There was a general agreement that Europe was now out, since Pompidou's visit'.<sup>69</sup> Alan Campbell in the Foreign Office's Western Department agreed that 'there

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<sup>63</sup> PRO FO371 188347/M10810 458, How to Get into the Common Market, EEOD, Brown comments, 18 Aug. 1966

<sup>64</sup> PRO FO371 189127/RF1053 38, Couve – Pompidou – Wilson – Brown – Stewart, 8 July 1966

<sup>65</sup> PRO CAB148 69, OPD(66)9, The International Consequences of General de Gaulle's Foreign Policy, Foreign Office, 25 Mar. 1966

<sup>66</sup> PRO FO371 188347/M10810 458, How to Get into the Common Market, EEOD, Brown comments, 18 Aug. 1966

<sup>67</sup> Castle, *Diaries*, *op.cit.*, p.75, 18 July 1966

<sup>68</sup> Roll, *Crowded*, *op.cit.*, p.173

<sup>69</sup> Cairncross, *Diary*, *op.cit.*, p.146, 11 July 1966

is very little we can do with the French while de Gaulle remains in power and while our own economic difficulties persist'.<sup>70</sup> Patrick Reilly recalled that the meeting 'went very badly on both sides' and that the British offended the French and misunderstood Pompidou's comments about the pound: 'the subject of sterling was extremely sensitive and Pompidou when questioned may not have chosen his words with sufficient care'.<sup>71</sup>

Reilly remembered that the French were not hostile to sterling and did not deliberately seek to cause harm to the pound. Instead, he saw the French as setting out to damage the dollar, but 'if sterling suffered in the process they did not much care'.<sup>72</sup> Bossuat disagrees, suggesting that it was perfectly clear the injury a few ill-chosen remarks could make.<sup>73</sup> Britain's approach to the EEC thus appeared to be in something of an impasse. Getting in via the Five could only have ambivalent success; but a deal with the French, the only assured path into the Community, had been shown in the minds of everyone except Brown, and possibly Wilson, to be blocked. Moreover, the question of membership was now unequivocally linked to the problem of sterling. Pompidou had appeared to suggest that if Britain would abandon her traditional strong pound policy and devalue then France would open the door to the Common Market.

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<sup>70</sup> PRO FO371 189127/RF1053 36, Campbell comments on Reilly despatch, 13 July 1966

<sup>71</sup> Bodleian Library, Sir Patrick Reilly Papers, Uncatalogued Memoir, Paris 1966

<sup>72</sup> *ibid.*

<sup>73</sup> Bossuat, 'De Gaulle', *op.cit.*, pp.523-524

## The Politics of Economic Crisis

In the spring of 1966, a strike by Britain's seamen led to a decline in exporting power and loss of confidence in sterling in the international money markets. Despite the optimism of the Chancellor and the Prime Minister at the start of July, by 11 July, Brown, Callaghan and Wilson were locked into debate as to how to manage the disastrous loss of reserves.<sup>74</sup> To shore up the pound, the Bank spent the equivalent of \$400m between 1 and 21 July, the same as the previous two months together.<sup>75</sup> The crisis brought to the fore the political tensions within the administration as to how to govern Britain, revealing a deeper and in some ways insoluble debate as to the nation's direction and future role. The three major issues were devaluation, European membership and East of Suez.<sup>76</sup>

Wilson's decision to turn to Europe in October was rooted in the consequences of the economic crisis. Despite the long-term pressure for Britain to demonstrate interest in eventual European membership, pressure upon which the government had already acted, the July crisis determined the nature and the timing of the October decision. Interpretations of the reasons for Wilson's turn to Europe have implicitly accepted this. The need to save the party, save the government, outflank Edward Heath and the widespread acknowledgement that Britain had no choice were not starkly apparent until

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<sup>74</sup> PRO PREM13 853, Wilson – Callaghan – Brown, 1 July 1966; Wilson – Brown – Callaghan, 11 July 1966; PRO EW28 17, comments by Brown, 11 July 1966

<sup>75</sup> Federal Open Market Committee of the Federal Reserve, cited in Robert Solomon, *The International Monetary System, 1945-1976* (London: Harper and Row, 1977), p.93

<sup>76</sup> On the crisis and the issues involved see in particular Pimlott, *Wilson, op.cit.*, pp.404-431; Ziegler, *Authorised Life op.cit.*, pp.244-261; Hennessy, *Prime Minister, op.cit.*, pp.308-309

the July crisis.<sup>77</sup> But the decision to advance towards the EEC did not represent full acceptance of the collapse of Britain's options. The move was grounded in the traditional foundations of the defence of the parity of sterling, an attempt to recreate the aspirational framework for Labour's economic policy that would hold together the bases of the government's power.

Interpretation of Labour's economic policy often centres on why they failed to devalue the pound.<sup>78</sup> In short, deflation has been regarded as the wrong choice in the summer of 1966 and the reasons behind the choice overlooked. But the eventual devaluation of sterling was never inevitable and Wilson had determined to avoid it. This determination was partly the result of Wilson's memory of the devaluation of 1949. The Governor of the Bank of England, Leslie O'Brien, appointed after the March election, had recently reminded Wilson that devaluation could be seen as the 'socialist government's recipe' for dealing with economic crisis.<sup>79</sup> But the decision was also much more than this, as a minute from Trend to Wilson on the eve of the deflation clearly shows. The government did not want to jeopardise long-standing relations with the holders of sterling: 'most important, it would amount to breaking faith with all sorts of people who are content to hold sterling, particularly in the Commonwealth. Nobody would trust us again, and from this point of view, devaluation would be a strange remedy for a situation which, basically, is a question of confidence'.<sup>80</sup> Devaluation would also

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<sup>77</sup> Bossuat, 'De Gaulle', *op.cit.*, pp.514-515; Kaiser, 'British EEC Applications', *op.cit.*, pp.61-67; Young, *Britain, op.cit.*, pp.93-101

<sup>78</sup> For a reasoned account, Nicholas Woodward, 'Labour's Economic Performance, 1964-1970', R. Coopey, S. Fielding, N. Tiratsoo (eds), *The Wilson Governments, 1964-1970* (London: Pinter, 1983), p.83

<sup>79</sup> Pimlott, *Wilson, op.cit.*, pp.133-153; PRO PREM13 853, Wilson – Callaghan – O'Brien, 15 July 1966

<sup>80</sup> PRO PREM13 854, Trend to Wilson, 19 July 1966



require a stringent deflation and so could prove to be the worst of all worlds: 'like chopping off your head to cure a headache'.<sup>81</sup>

If Britain devalued and deflated, Britain would lose industrial growth at home and would throw away her influence and standing in the Commonwealth and the United States. This concern was linked to Britain's wider global defence interests. Cutting the value of the Commonwealth's financial assets would lead to economic instability in the areas Britain hoped to defend and it could lead to a seize up of international trade as two-thirds of the world's trade was conducted in sterling. The previous Governor of the Bank of England, Lord Cromer, had argued that the problem of sterling was now much more closely linked to that of international liquidity and so to the American desire to preserve the parity: 'because the viability of the sterling system is now of more pressing importance to the stability of the entire international monetary structure than before, devaluation would touch off crisis in the USA dollar and payments system'.<sup>82</sup> Furthermore, Trend and Wilson's desire to avoid devaluation at this time was because of the French position towards Britain and towards the reserve currencies of sterling and the dollar. As Trend put it, devaluation would 'provoke competitive devaluations of other currencies, or retaliation. Those hostile to us, especially France, would retaliate by political as well as economic means'.<sup>83</sup> Exposure of Britain's economic weakness internationally would place the British in a position of political vulnerability.

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<sup>81</sup> *ibid.*

<sup>82</sup> Bank of England [henceforward BOE] OV44 151, Sir Leslie Cromer to Armstrong, 19 Oct. 1965

<sup>83</sup> PRO PREM13 854, Trend to Wilson, 19 July 1966

Avoiding political weakness was particularly important in view of the French challenge to Britain's security interests in NATO and to the integrity of reserve currencies in international liquidity talks. Devaluation could hand the French victory in their will to instrument a 'European' Europe and in their attempt to replace reserve currencies with an alternative system based on gold. Since early 1965, the French had begun to buy up gold, placing greater pressure on both major reserve currencies.<sup>84</sup> The reasoning behind French policy was that there was too much liquidity as both the US and the British could afford to run major trade deficits which in turn placed inflationary pressure on France's economy, while the US avoided unpleasant measures such as raising interest rates.<sup>85</sup> That the French purchases of gold did squeeze the dollar and sterling was undeniable, as the US Treasury Secretary Joe Fowler told Callaghan: 'we would be taking in gold this year if it weren't for the French'.<sup>86</sup>

The opposing perspectives on the role of reserve currencies were being played out in talks on the future of international liquidity in the IMF and the Group of Ten (G10). The British were seeking some kind of easement for their position as holder of the sterling balances. Wilson's suggestion early in July for a study of the 'Two Sterlings', to insulate the trading role of sterling from the reserve role, indicates that the Prime Minister wanted to deal with the problem of the sterling holdings before thinking about changing the parity.<sup>87</sup> Nor was the Bank entirely opposed in principle to the possibility of a deal with the Europeans, for example a low-interest gold loan, with which to pay off the

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<sup>84</sup> BOE OV53 31, Hubback Reports on General de Gaulle's Press Conference, 9 Feb. 1965

<sup>85</sup> *ibid.*; PRO PREM13 324, Wilson – Pompidou, 2 Apr. 1965

<sup>86</sup> PRO PREM13 853, Callaghan – Fowler, 15 July 1966

sterling balances. Cromer had argued the previous year that Britain should move closer to the Europeans: 'it could be argued... that the Europeans might themselves become better acquainted with the problems and responsibilities of running an international currency, that the liberal views of the UK would not be without influence in Europe once we had detached ourselves from the US'.<sup>88</sup> In the summer of 1966, the Governor of the German Bundesbank, Karl Emminger, had suggested funding for the sterling balances, a suggestion the British were keen to encourage but which the German Ministry of Finance opposed.<sup>89</sup> Nevertheless, the main thrust of the British position was to sustain balance between the world-wide system of payments favoured by the US and the European perspective. The French wanted to insist on a veto for the EEC within the G10 in order to reduce the influence of the IMF and were obstructing a move to the second stage of contingency plans for an alternative reserve unit.<sup>90</sup> Devaluation of sterling, as Trend indicated, would play straight into the French hands.<sup>91</sup> Deflation, by contrast, would sustain control over the timing of the demise of Britain's international position.

Wilson's assessment that this was not the time to devalue had serious domestic ramifications as it brought him into direct conflict with the government's second most powerful minister. In the rivalry between Brown and Wilson, EEC membership had a large part to play. Brown wanted to cut free from international obligations, enter Europe and devalue in order to save Labour's economic goals. He wrote to the Prime Minister in June:

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<sup>87</sup> PRO PREM13 853, Wilson-Callaghan-Brown, 1 July 1966; PREM13 1262, Palliser note, 22 July 1966

<sup>88</sup> BOE OV44 151, Cromer to Armstrong, 19 Oct. 1965

<sup>89</sup> BOE OV53 49, Report of Callaghan talks with Erhard, July 1966; Sir Derek Mitchell, Interview with author, 6 Dec. 2001

<sup>90</sup> BOE OV53 47, Report of the G10, 8 Feb. 1966, 21 Mar. 1966; 25-26 July 1966

A vigorous and speeded up policy towards Europe could provide the means by which we might work our way out of this box...any such arrangements would be very likely to involve a change in parity but by agreement and as part of much longer positive policies designed to provide a major move forwards in our broad economic and foreign relations...It would open a route which would not only enable us to play our part in Europe and the world and turn what must otherwise look like a series of negative policies into a positive strategy.<sup>92</sup>

Behind Brown's support for European membership was his belief that Britain would be able to play a role of leadership in Europe and through this, stand up to the might of the USA. In his memoirs, he recorded:

although we in Europe were part of the NATO alliance, it wasn't really an alliance of fourteen powers – it was thirteen little chaps who couldn't say boo to a goose, the goose being, of course, America. As a result...I have always seen the question of European integration as not primarily a question of extending the Common Market.<sup>93</sup>

It also reflected his perception of Wilson's 'deal' with Johnson that Britain would accept American help in return for staying on the parity and keeping a defence role in the Far East. He told Castle: 'he is too deeply committed to Johnson. God knows what he has said to him. Back in 1964 he stopped me going to Washington. He went himself. What did he pledge? I don't know: that we wouldn't devalue and full support in the Far East? But both of those have got to go'.<sup>94</sup> Behind this annoyance was surely the sense that Brown would be able to run the country better than Wilson, a throwback

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<sup>91</sup> PRO PREM13 854, Trend to Wilson, 19 July 1966

<sup>92</sup> PRO PREM13 853, Brown to Wilson, 24 June 1966

<sup>93</sup> Brown, *Memoirs*, *op cit.*, pp.207-208

<sup>94</sup> Castle, *Diaries*, *op.cit.*, p.76, 18 July 1966

to the personal rivalry between the two men manifested in the 1963 leadership contest.<sup>95</sup> Contrary to the accusations levelled at him ever since by the Treasury, Brown did see that the option of devaluation would also require a deflation to ensure that the benefits of devaluation in terms of competitive power were not lost. In his initial letter to Wilson he stressed also the need to deflate.<sup>96</sup> His preference for devaluation was because, combined with a turn to Europe, it could be presented as a major change in Britain's orientation and role. This, he saw, would mean that 'negative' deflationary policies, which would end Britain's goals under the National Plan, could be explained to the public as part of a general transformation of Britain's position in the world. The cutbacks that the public, unions and business would have to bear would thus have an overriding purpose in a process of readjustment to a new role. Britain inside Europe would not, however, mean a complete transformation. Brown's resignation letter at the end of July showed that he saw European membership as a platform for the exercise of a global role:

It is my firm conviction that what the Cabinet has now accepted [deflation] - if it works - can only lead Britain back to industrial stagnation and therefore to economic disaster. In addition, it means that all the aims which we have so proudly put to the Nation must be disowned. And I do not believe it will just be a postponement. We cannot build a new Britain, getting rid of our inherited social evils and create a modern, industrial society by engaging in such a massive deflation of our economy. Nor, of course, could we play anything approaching an honourable part in the biggest struggle of all in the world today, that against poverty and hunger over such a large part of it. Just a year ago, in a similar situation, I gave you my view. I can only repeat it now as I have done in all our meetings. We should have started with

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<sup>95</sup> Pimlott, *Wilson, op.cit.*, pp.256-257

<sup>96</sup> Callaghan, *Time, op.cit.*, p.197; PRO PREM13 853, Brown to Wilson, 24 June 1966

a firm purpose: cut free from our limiting inhibitions: and then done whatever was necessary in that context. Put to our people in that way it would have been defensible, justifiable and responded to.<sup>97</sup>

The Chancellor James Callaghan, who as Pimlott has pointed out, now swung the balance between the opposing views of Brown and Wilson, was not in favour of devaluation.<sup>98</sup> Pressure from officials and from the Bank to find a solution coupled with fear that ministers would never support a deflationary package stringent enough to work led Callaghan to question the government's commitment to the parity on 10 and 11 July.<sup>99</sup> Callaghan's doubts caused Wilson to fear that the combined might of the Chancellor and First Secretary could spark off pressure for devaluation that would destabilise his careful balancing act. To stave off the risk, Wilson first promised Callaghan an alliance against Brown, then Brown an alliance against Callaghan. The result, on 13 July, was to defer a decision on devaluation until after Wilson got back from Washington at the end of July. In the meantime, the government would announce a rise in the Bank Rate and an immediate cut of £100m from overseas defence expenditure, £50m from East of Suez and £50m from Germany.<sup>100</sup>

Later that evening, Trend consulted Sir Paul Gore-Booth as to the implications of a sudden cut in overseas expenditure. Gore-Booth's note of the meeting confirms that the main motivation for the immediacy of the decision

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<sup>97</sup> PRO PREM5 483, Brown to Wilson, 20 July 1966

<sup>98</sup> Pimlott, *Wilson, op.cit.*, p.414

<sup>99</sup> Cairncross, *Diary, op.cit.*, p.146, 12 July 1966; PRO CAB128 41, CC(66)35<sup>th</sup>, 12 July 1966; Richard Crossman, *The Diaries of a Cabinet Minister, Vol.1 Minister of Housing, 1964-1966* (London: Hamish Hamilton, 1975), p.568, 12 July 1966

<sup>100</sup> PRO CAB128 41, CC(66)36<sup>th</sup>, 14 July 1966; Crossman, *ibid.*, 14 July 1966, p.569; Pimlott, *Wilson, op.cit.*, pp.417-8, Cairncross, *ibid.*, p.149; Ziegler, *Authorised Life, op.cit.*, p.254

was political. Wilson needed to hold central government together and buy time:

BT [Trend] told us that within the last hour a proposal had come from 'certain ministers' that the next day the PM should announce that he proposed to make economies of £100m in the next year on the government's expenditure abroad. Many questions. Was it really necessary to decide this today and announce it tomorrow? M. Halls [Wilson's Private Secretary] politically it was, yes, but was it financially? WA [Armstrong] (less certainly) 'yes'. I urged that it was no good doing this unless at least comparable economies were announced in internal matters.<sup>101</sup>

The Foreign Office's case against was obvious. It would be impossible to make the reductions without complete withdrawal either from East of Suez or from Germany, requiring a major change and destroying the balance of foreign policy.<sup>102</sup> Michael Stewart seriously discussed with Gore-Booth the possibility of his resignation:

The Foreign Secretary invited me to stay behind and asked whether he should consider resignation. He had tried to contact the Prime Minister who had declined to see him the previous night; drastic proposals had been made gravely affecting foreign relations without his being consulted before they came to full Cabinet.<sup>103</sup>

In Cabinet on 14 July, Stewart strenuously resisted the immediate announcement of such a cut. Crossman remembered:

Everybody was critical. Roy [Jenkins – Home Secretary] wanted in addition to this cut a specific commitment to a wage and prices

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<sup>101</sup> Bodleian Library, Sir Paul Gore-Booth Papers, MS Gore-Booth 92, Fols. 101-117, envelope 6, note by Gore-Booth, 13 July 1966

<sup>102</sup> *ibid.*

<sup>103</sup> *ibid.*, note by Gore-Booth, 14 July 1966

freeze. Dick Marsh [Minister of Power] said that would be fine if anybody knew what a wage and prices freeze really meant and whether it was practical. Barbara wanted the cut in foreign expenditure even though it would include overseas development, whereas Tony Greenwood [Colonial Secretary] was fighting against it. But the big confrontation came between the Chancellor and the Foreign Secretary, who obviously hadn't been consulted until the night before. Michael Stewart said he couldn't possible cut £100m without either withdrawing totally from Germany or totally from East of Suez. Clearly this couldn't be done as a sudden emergency plan for helping out the balance of payments.<sup>104</sup>

Stewart's resistance meant that the announcement of the defence savings was left until late in Wilson's speech to the Commons, but nevertheless the pledge was still there to make a 'substantial reduction' in overseas expenditure.<sup>105</sup> Wilson's management of the crisis unbalanced not only domestic economic policy, but also the practice of Britain's foreign relations. If Wilson can be criticised, it should not be because he wanted to defend the parity, but the way in which he ensured that Cabinet accepted his policy preference. Essentially, although Wilson held together the current broad lines of Britain's policy – East of Suez and the parity – he did so only at the expense of the relations with his principal colleagues. The destabilisation of the Cabinet team was one major factor in his subsequent turn to the EEC.

The Cabinet accepted on 19 July a stringent deflation that put an end to the pretence of growth under the National Plan and threatened to end Britain's defence commitments in the Far East or in Germany. Their acquiescence was

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<sup>104</sup> Crossman, *Diaries*, vol. 1, *op cit.*, pp.569-570, 14 July 1966; Castle, *Diaries*, *op.cit.*, p.73, 14 July 1966

<sup>105</sup> Hansard, *House of Commons Debates*, 5<sup>th</sup> series, vol.731, col.1734, 14 July 1966; *The Times*, 'Stern Action to Cut Spending: Interim Budget Coming after Bank Rate rise', p.1, 15 July 1966



secured first because they had no choice. The fact that Wilson had denied discussion of devaluation prior to the crisis meant that there were no accessible studies of the devaluation option. A Treasury study of devaluation in March 1966 had, on discovery by the Prime Minister, been burnt.<sup>106</sup> The crisis was dealt with over a period of three weeks, which was clearly insufficient time to implement plans and papers for a controlled devaluation and deflation. It was these concerns that led Trend to admonish Wilson: 'But add something here about our intention, once we have got through our present troubles, to bring Ministers more fully into consultation on economic and financial policy, in order that the Cabinet shall not again be asked to deal with a crisis at intolerably short notice'.<sup>107</sup>

The second reason for the Cabinet's acceptance was that Brown could not command enough support for devaluation because nobody wanted Brown to take over as leader. While Jenkins, Crosland, Benn, Crossman and Castle all favoured devaluation, the latter three from the left of the party were natural allies of Wilson and neither Jenkins nor Crosland would support Brown in a leadership challenge.<sup>108</sup> The rest of the Cabinet upheld Wilson's desire to retain the parity, agreeing with Trend's judgement that devaluation might not work. What was needed instead was a domestic deflation, to prove to international confidence that Britain was ready to put its own house in order.<sup>109</sup> The ramifications of the sterling crisis, both in policy and political

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<sup>106</sup> PRO PREM13 852, Mitchell to Wilson, 29 Mar. 1966; Ziegler, *Authorised Life*, *op.cit.*, p.253

<sup>107</sup> PRO PREM13 854, Trend to Wilson, 19 July 1966; Hennessy, *Prime Minister*, *op.cit.*, pp.308-309

<sup>108</sup> Castle, *Diaries op.cit.*, 18 July p.75; Crossman, *Diaries, vol.1, op.cit.*, p.574; Tony Benn, *Out of the Wilderness: Diaries, 1963-1967* (London: Hutchinson, 1987), p.160, 18 July

<sup>109</sup> PRO CAB128 46, CC(66)37<sup>th</sup>, 19 July 1966; Castle, *Diaries, op.cit.*, p.76; Crossman, *Diaries, vol.1, op.cit.*, p.576, 19 July 1966

terms, created the conditions within which Wilson took his decision to turn to Europe.

### **Wilson's Tilt to Europe: Pressures for Decision**

On 22 October, in a ministerial meeting at Chequers, Wilson announced his intention to conduct a tour of the countries of the Six to see if the conditions existed for membership of the EEC.<sup>110</sup> This intention was debated by the Cabinet on 1 and 3 November, and announced in the House of Commons on 10 November.<sup>111</sup> It was the first stage in Britain's second application for EEC membership. Three sets of influences combined to convince Wilson to take the decision in October. These were pressures from the USA, from George Brown and from the collapse of confidence in the economy following the demise of the National Plan.

First, following the crisis, Wilson prepared for a visit to Washington during which he hoped to gain additional help for sterling in the international liquidity talks or for Britain's defence role in the Far East. In Washington, a current of opinion was building to convince the British to take a more forthcoming line towards the EEC in view of France's actions in NATO and in the G10. In July 1966, the American Secretary of State for Economic Affairs, Solomon and the Deputy Assistant Secretary of State for European Affairs, Stoessel, wrote to the Secretary of State for European Affairs, George Ball, to advocate 'a Presidential push on Wilson toward UK membership of the Common Market'. The benefits of a membership initiative were: 'in the short

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<sup>110</sup> PRO CAB134 2705, E(66)3<sup>rd</sup>, 22 Oct. 1966

run, an unequivocal British willingness to join the EEC would significantly strengthen the Five in dealing with Gaullist France and indirectly help the Fourteen hold NATO together, whatever the French do'. Britain's interest in the EEC would be the best way of exposing French intransigence in Europe.<sup>112</sup>

Solomon and Stoessel were ambivalent as to whether a membership initiative would prove the best way of pursuing these goals. There were substantial short-term disadvantages in Britain trying to get into the EEC. De Gaulle was unlikely to let Britain in and the French arguments as to the dangers for the EEC of having to support sterling would have a 'debilitating effect' on the Five's political will to push for British entry. If Britain had to devalue upon membership, there would be a corresponding adverse effect, possibly of \$500-850m per year, on the US balance of payments. With the Kennedy Round incomplete, a premature initiative could also provide the French the pretext for torpedoing the tariff negotiations.<sup>113</sup> Nevertheless, some sort of strong indication of Britain's interest in eventual membership was thought to be appropriate to help meet the French threat. Recent research shows that Johnson agreed to pressurise Wilson during Wilson's visit to show his hand in favour of eventual membership of the EEC.<sup>114</sup> Before the visit, Britain's delegation in Washington reported that: 'All administration leaders cherished the vision of a Europe with British leadership. No special course

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<sup>111</sup> PRO CAB128 41, CC(66)53<sup>rd</sup>, 1 Nov. 1966; 54<sup>th</sup>, 3 Nov. 1966; Hansard, *House of Commons Debates*, 5<sup>th</sup> series, vol.735, cols.1539-1549, 10 Nov. 1966

<sup>112</sup> *FRUS*, Western European Region 1964-1968, vol.xiii., doc.188, Solomon and Stoessel to Ball, 19 July 1966; Ellison, 'Dealing', *op cit.*

<sup>113</sup> *ibid.*

<sup>114</sup> Ellison, 'Britain's Place', *op.cit.*

would be urged on the Prime Minister, but the President would like to hear that we were quietly positioning ourselves for eventual entry'.<sup>115</sup>

Wilson's aim for the Washington visit was to extract concessions from the USA, knowing that the US wanted Britain to stay on the parity, in the Far East and to join the EEC. 'Clearly the White House is hoping that the Prime Minister's conclusion will be that we can, in fact, stand with them both in Europe and East of Suez. This hope is our best political card'.<sup>116</sup> Thus, the government's strategy regarding the EEC was to emphasise that Britain wanted to join, but was prohibited from doing so because of General de Gaulle's obstruction.<sup>117</sup> Membership would force Britain to adopt Gaullist policies inside a 'fortress Europe'. To prevent this eventuality, the US would have to provide support for the continuation of Britain's world role.<sup>118</sup> This strategy did not appear to reap dividends. Johnson offered to buy British ships and Rolls Royce Spey jet engines to the value of \$23m and \$100m respectively over a period of supply.<sup>119</sup> Johnson's fulsome praise for Wilson, comparing his dealing with the economy with the spirit of Churchill, together with the President's statement that 'the dollar and the sterling should link arms' helped to create confidence in British policies.<sup>120</sup> But Joe Fowler, the Treasury Secretary, resisted any Anglo-American bilateral deal in the international liquidity talks. A deal could appear as an Anglo-Saxon conspiracy when the G10 had finally agreed to take the issue to the wider

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<sup>115</sup> PRO PREM13 1262, Washington to FO, tel.2173, 27 July 1966

<sup>116</sup> *ibid.*

<sup>117</sup> PRO PREM13 1262, Barnes to Gore-Booth, Steering Brief for Visit to Washington, 22 July 1966

<sup>118</sup> PRO PREM13 1262, Wilson – Stewart – Trend – Gore-Booth – Dean – Greenhill – Palliser, 26 July 1966

<sup>119</sup> PRO PREM13 1083, Wilson – Johnson and advisers, 29 July 1966

<sup>120</sup> Wilson, *Labour, op.cit.*, pp.264-5

forum of the IMF.<sup>121</sup> Wilson's suggestion of US help in Malaysia did not bring any further assistance. Overall, using France as the whipping boy for Britain's ambiguous attitude did not work as a tactic in eliciting US aid.<sup>122</sup>

The apparent failure of Britain's strategy was indicative of the general loosening of the British-American relationship. Wilson and Johnson did not personally get on, but the problems went deeper. Vietnam was a major cause of the weakening ties, Johnson preoccupied with America's war and furious that Wilson would not help.<sup>123</sup> Unable to breach left-wing pressure, Wilson had also publicly disassociated Britain from the bombing of the oil installations in Hanoi and Haiphong.<sup>124</sup> Britain's persistent economic problems also diminished Britain's ability to play the kind of global role the US wanted. Powerful members of the US administration increasingly argued that if the UK could not rectify her economic problems, letting the pound go and allowing Britain to cut back her overseas role would not be the catastrophe often predicted.<sup>125</sup>

Furthermore, Britain's attitude towards Community membership did nothing to help to rectify the German question. The promise to cut £100m from defence expenditure led to excessive pressure in Britain to make savings from Britain's troop capacity in Germany, which acted as a significant drain on the foreign exchange. If Britain were likely to pull troops out of Germany, then Johnson would find it difficult to convince Congress and public opinion

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<sup>121</sup> PRO PREM13 855, Wilson – Johnson – Fowler, 29 July 1966

<sup>122</sup> PRO PREM13 1083, Wilson – Johnson, 29 July 1966; Bartlett, *Special Relationship*, *op.cit.*, p.113

<sup>123</sup> Ellis, 'Not so Special', *op.cit.*, esp. p.193

<sup>124</sup> On the Vietnam problem in Anglo-American relations, Wilson, *Labour*, *op.cit.*, p.264; Cairncross, *Diary*, *op.cit.*, p.72, 25 July 1966; Bartlett, *Special Relationship*, *op.cit.*, pp.114-5; Ellison, 'Dealing', *op.cit.*

to keep American troops in Europe. With France having withdrawn troops from Germany following the NATO crisis, Americans feared that the defence of central Europe could disintegrate.<sup>126</sup> In addition, Britain's strategy for a solution to Germany's desire for greater access to nuclear weaponry differed from that of the Americans. Defence Secretary Robert McNamara wanted to rid Britain of the independent nuclear deterrent, but Wilson and Healey aimed to keep the deterrent and prevent German access to hardware.<sup>127</sup>

What the British wanted was progress towards a Nuclear Planning Group (NPG) in NATO, in which Germany would share in nuclear consultation, but would not have access to nuclear hardware. Johnson had stressed that progress towards the NPG depended very much on finding a way to meet Germany's needs: a 'coherent German policy'.<sup>128</sup> The problem for Britain was, therefore, how to have a 'coherent German policy' while economic pressure dictated British disengagement from conventional defence in Europe and while Britain allowed France to circumscribe British policy towards the EEC. It is possible that in this environment, a membership initiative towards the EEC could help to augment Britain's bargaining position with the USA and with Germany. Officials had recommended since 1964 that Britain's political interest in membership would be one way of strengthening the case for defence savings in central Europe: 'if Britain could join the EEC,

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<sup>125</sup> *FRUS*, International Monetary and Trade Policy 1964-1968, vol. viii., doc. 100, Bator to Johnson, 6 July 1966; Ziegler, *Authorised Life*, *op.cit.*, p.254; Bartlett, *Special Relationship*, *op.cit.*, pp.116-7

<sup>126</sup> PRO PREM13 1262, Dean to FO, tel.2138, 21 July 1966; PRO PREM13 1044, Healey – McNamara, 25 July 1966; PREM13 1262, Killick to Palliser, 27 July 1966; PRO PREM13 802, Palliser to Maclehose, 21 July 1966

<sup>127</sup> Freedman and Gearson, 'Interdependence and Independence', *op.cit.*, pp.192-4; Healey, *Time*, *op.cit.*, pp.306-7

<sup>128</sup> PRO PREM13 1262, Washington to FO, tel.2173, 27 July 1966

British chances of obtaining a sympathetic hearing over her troop commitments could be substantially improved'.<sup>129</sup>

This problem was thrown into sharper relief during August, as the Chancellor acted on Wilson's promise of savings in defence expenditure to demand a speeding of Britain's attempts to find offset savings in Germany. He insisted that if no savings could be made, Britain should make early troop withdrawals.<sup>130</sup> Defence Secretary Denis Healey was adamant that no savings should be made with such rapidity, and Michael Stewart was also alarmed at the political repercussions of a threat to withdraw Britain's troops from the Rhine if Germany could not come up with more cash.<sup>131</sup> In a compromise, as George Brown took over at the Foreign Office, ministers agreed to present Britain's demands through NATO.<sup>132</sup> Britain's decision came at a bad time for Germany, as Erhard also faced budgetary difficulties and was politically hemmed in as the Social Democrat Party gained in popularity.<sup>133</sup>

Johnson warned Wilson in no uncertain terms of the dangers of an 'unravelling' of NATO if Britain carried out the reductions. He insisted that any solution to the problem of defence expenditure in Germany must avoid 'any actions that might tend to make the Germans feel as if they were not full members of the team'.<sup>134</sup> Rather than an approach through NATO, Johnson wanted tripartite talks between the British, Americans and Germans.<sup>135</sup> Not only would tripartite discussions slow up the process of seeking savings, but Johnson's intervention was 'very embarrassing' as the British had already

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<sup>129</sup> PRO CAB148 10, DO(O)(S)(64)42, Report of the Long Term Study Group, 23 Oct. 1964

<sup>130</sup> PRO CAB148 25, OPD(66)35<sup>th</sup>, 10 Aug. 1966

<sup>131</sup> *ibid.*

<sup>132</sup> PRO CAB148 25, OPD(66)36<sup>th</sup>, 11 Aug. 1966

<sup>133</sup> PRO PREM13 935, Johnson to Wilson, 1 Sept. 1966; Trend to Wilson, 6 Sept. 1966

<sup>134</sup> PRO PREM13 935, Johnson to Wilson, 26 Aug. 1966, 1 Sept. 1966

prepared paper for NATO.<sup>136</sup> Wilson was forced to retreat, OPD accepting that the government had to back-pedal on its timetable for reductions and lower the tone of potential withdrawal.<sup>137</sup>

Britain's economic difficulty therefore upset the balance of Britain's relations with the US and with Germany. Wilson's announcement of Britain's European initiative went some way to restore it, at least temporarily. Johnson responded in November by telling Wilson that 'your presence in Germany is as important to us as your presence in the Far East'. He offered \$35m (£12.5m) in advance orders to tide Wilson over a stalling in the tripartite talks for offset savings from the Germans.<sup>138</sup> The EEC membership initiative bought the support from the US that the Washington visit had failed to secure. The weakening of the Anglo-American relationship meant that Wilson had to go further to secure US support. In turn, this illustrates that the shift towards the EEC was grounded in a traditional conception of Britain's foreign relations as oriented towards the Atlantic.<sup>139</sup>

The second set of pressures compelling Wilson's decision comprised the very widespread dissatisfaction with the deflationary package from the Party, the unions and business and from George Brown. Union distress at the voluntary restraint on prices and wages from July 1965 had already led to strikes, most notably the National Union of Seamen. Wilson's handling of the

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<sup>135</sup> PRO PREM13 935, Johnson to Wilson, 28 Aug. 1966; Johnson to Wilson, 1 Sept. 1966

<sup>136</sup> PRO PREM13 935, Rogers to Wilson, 26 Aug. 1966; see also PRO CAB128/ CC(66)44<sup>th</sup>, 1 Sept. 1966

<sup>137</sup> PRO PREM13 935, Trend to Wilson, 6 Sept. 1966; CAB148 25, OPD(66)37<sup>th</sup>, 7 Sept. 1966

<sup>138</sup> PRO PREM13 910, Johnson to Wilson, 16 Nov. 1966; Lyndon B. Johnson, *The Vantage Point: Perspectives of the Presidency, 1963-1969* (London: Wiedenfeld and Nicolson, 1971), p.308; G. Wyn Rees, 'British Strategic Thinking and Europe, 1964-1970', *Journal of European Integration History*, 1999, vol.5, no.1, p.59; see also Kaiser, 'The British EEC Applications', *op.cit.*, p.64

<sup>139</sup> Ellison, 'Britain's Place', *op.cit.*



seamen's strike, describing the strike as perpetrated by 'a tightly knit group of politically motivated men', although successful, had been seen as heavy-handed.<sup>140</sup> Frank Cousins, Minister of Technology and previously General Secretary of the Transport and General Workers' Union, had resigned from the government. His departure weakened the relations between government and unions and highlighted restrictions over prices and incomes as the culprit.<sup>141</sup> The 1966 deflation imposed a six-month prices and wages freeze on top of the year of voluntary restraint. The TUC Economic Committee initially refused to back the measures and only agreed after Brown and Wilson outlined how much worse it would be if they refused.<sup>142</sup> After the principle of union support had been established, the Cabinet decided to enforce statutory control over the freeze, giving the government legislative right to refuse pay claims.<sup>143</sup> This made it even more difficult for the unions to accept. As Cairncross put it: 'The poor TUC are being forced to accept one humiliation after another...It is fascinating to see the TUC persuade itself on the say-so of the PM that devaluation would increase unemployment to 1.5m. (in fact in the interview with the TUC the PM started off at three-quarters of a million and as the TUC leaders laid more and more stress on the impossibility of the proposals, he stepped up his estimate.)'<sup>144</sup> Industry and business were also dissatisfied. Leaders of the CBI pressed on Wilson their anger at the way in which they felt they had been treated, arguing that the sudden nature of the statutory clause confirmed their worst fears. The Labour government had no respect for private

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<sup>140</sup> David Childs, *Britain since 1945: A Political History* (London: Methuen, 1975), pp.182-3

<sup>141</sup> Pimlott, *Wilson, op cit.*, pp.404-408

<sup>142</sup> PRO PREM13 859, Wilson – TUC Economic Committee, 25 July 1966

<sup>143</sup> PRO CAB128 41, CC(66)40<sup>th</sup>, 28 July 1966; Castle, *Diaries, op.cit.*, p.80, 28 July 1966;

<sup>144</sup> Cairncross, *Diary, op.cit.*, 30 July 1966; pp.156-7; PRO PREM13 859, Wilson – Economic Committee, 26 July 1966

industry and they did not see why they should support the government's efforts.<sup>145</sup>

The prices and incomes legislation also led to discontent amongst the party. After the deflation, Brown attempted to resign, but was persuaded to stay in the government late in the evening on 20 July.<sup>146</sup> His near-defection illustrated the potential of a parliamentary revolt, as Brown fuelled the anger of the right of the party. Benn estimated that if Brown went, the government would not be able to command a majority in the House.<sup>147</sup> The left were similarly distressed, with forty-seven MPs tabling a motion, 'Never Again', to demand withdrawal from Britain's world role and running down of sterling's position as a reserve currency.<sup>148</sup> Left-winger Eric Heffer, at this stage in favour of Britain's membership of the EEC, argued that the government could not sanction deflationary unemployment if there were no defence cuts overseas.<sup>149</sup> The Conservatives led a resolution of no confidence in the government's ability to manage the economy, drawing attention to the failure of the National Plan.<sup>150</sup> This motion was defeated with a majority of seventy-nine, but the capacity for dissent was clear. After the Cabinet's decision to impose the statutory section of prices and incomes, Part IV, these issues were reawakened. Part IV was tabled as an amendment to the existing Bill, currently in the Standing Committee stage of its passage through the House. Heath demanded that the Bill be brought back for discussion in the whole

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<sup>145</sup> PRO PREM13 859, CBI – Wilson, 2 Aug. 1966

<sup>146</sup> PRO PREM5 483, Note for the Record, 20 July 1966

<sup>147</sup> Benn, *Wilderness*, *op.cit.*, p.454, 16 July 1966

<sup>148</sup> Wilson, *Labour*, *op.cit.*, p.261; a copy of the motion is in: Churchill College Archives Centre, Cambridge, Michael Stewart Papers, STWT9 6 8, 'Never Again', 25 July 1966

<sup>149</sup> *The Times*, 'Cabinet Meeting Again Today: Last minute talks on economic measures', p.1, 20 July 1966; on Heffer, Broad, *European Dilemmas*, *op.cit.*, pp.65-66

<sup>150</sup> Hansard, *House of Commons Debates*, 5<sup>th</sup> series, vol.732, cols.1449-1462, 26 July 1966

house, a motion defeated with a majority of fifty-two, substantially less than the government's overall majority.<sup>151</sup>

Early in August, Wilson moved Brown to the Foreign Office, switching Michael Stewart to manage the DEA. Brown needed an outlet for his energies after the failure of the National Plan and the Foreign Office, a post Brown secretly wanted, would suit Brown's interests well. There is no evidence that Wilson offered him the post of Foreign Secretary in order to keep him in the government on the evening of 20 July. The most comprehensive account suggests that Brown agreed to stay after he realised that Wilson would in fact let him go.<sup>152</sup> Moving Brown to the Foreign Office had more to do with Wilson's need to stem the influence of Callaghan in the Treasury, as Callaghan now stood as the main rival to Wilson's leadership.<sup>153</sup> Wilson told assembled ministers at Cabinet: 'what I have done this time is to surround myself with friends and isolate Callaghan'.<sup>154</sup> But it is inconceivable that Wilson moved Brown to the Foreign Office without realising that at the very least this would increase pressure for a European initiative. Brown was the only minister who had argued hitherto that Britain should try to 'outflank' General de Gaulle and seek to get into Europe in the short term.<sup>155</sup> Wilson's decision must therefore have indicated his willingness to endorse a shift in European policy. Managing his ministers, Wilson's priority in the paranoia

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<sup>151</sup> Hansard, *House of Commons Debates*, 5<sup>th</sup> series, vol.733, cols.605-620, 3 Aug. 1966; Crossman, *Diaries*, vol.1, *op.cit.*, p.602, 3 Aug. 1966

<sup>152</sup> Pimlott, *Wilson op cit.*, pp.426-427

<sup>153</sup> Kenneth Morgan, *Callaghan: A Life* (Oxford: Oxford University Press, 1997), p.250

<sup>154</sup> Pimlott, *Wilson, op cit.*, p.427

<sup>155</sup> On Brown's support for 'outflanking' the General, PRO PREM13 906, Brown to Wilson, 24 June 1966

generated by the July crisis,<sup>156</sup> was thus the primary influence in a move that had major implications for Britain's policy stance.

Brown's impact at the Foreign Office was immediate. Before the reshuffle, both Brown and Stewart had urged Wilson for a meeting, possibly a discussion at Chequers, to take stock of official studies on membership.<sup>157</sup> Certainly, the Foreign Office was anxious that momentum towards an initiative, building since March, should not die out.<sup>158</sup> But officials displayed trepidation as to Brown's intentions. Gore-Booth's recollections, with thinly veiled sarcasm, indicate the mandarins' view of their new Foreign Secretary: 'I... warmly welcom[ed] Mr. Brown personally and [said] that everybody would be greatly heartened by his assurance that the Foreign Office under his leadership would effectively control foreign policy'.<sup>159</sup> Sir Patrick Reilly, Ambassador in Paris, was less cautious in his wording: 'I knew at once with complete certainty that this change would be disastrous for us: and so it proved'.<sup>160</sup>

Officials' caution resulted from Brown's rather more direct approach to diplomatic relations than current foreign strategy advised. The European Economic Organisations Department considered de Gaulle's attitude to constitute an 'absolute bar' to entry. Strategy was to demonstrate Britain's interest in joining through a declaration of intent to accept the Treaty of Rome. In the interim, the EEOD recommended that Britain should continue bilateral discussions with members of the Six to elucidate further the areas of difficulty

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<sup>156</sup> Pimlott, *Wilson, op.cit.*, pp.421-422; Crossman, *Diaries, vol.1, op.cit.*, pp.581-3, 24 July 1966; p.591, 28 July 1966; pp.593-6, 31 July 1966; p.599, 2 Aug. 1966; Ziegler, *Authorised Life, op.cit.*, p.256

<sup>157</sup> PRO PREM13 907, Brown to Wilson, 1 Aug. 1966

<sup>158</sup> Paul Gore-Booth, *With Great Truth and Respect* (London: Constable, 1974), p.350

<sup>159</sup> *ibid.*, p.347

Britain would face upon entry. Bilateral discussions would form the groundwork of finally getting into the Community via a 'short cut'. A few, essentially technical issues, such as the weighting of Britain's majority vote, would be settled in advance. Then, during a transitional period or periods of a pre-arranged length, Britain would adapt to the provisions of the Treaty. Gradual assimilation of the Community's regulations would absorb the shock of entry to capital movements or the cost of the price of food. As a member, the transitional period system would also provide Britain an equal voice in the Council of Ministers on any future decisions.<sup>161</sup> The strategy would ensure Britain's membership of the Community over a period of time, preparing the ground for entry until the political circumstances were amenable to accession. It did not involve taking an immediate initiative to try to get round the General and seek entry into the Community in the short term.

The EEOD's paper was not wholly representative of Foreign Office views. Reilly thought that opinion in France was in favour of British entry. If the British could convince the French that they accepted the economic conditions of membership, then it could be possible to build up a 'head of steam' towards membership, which the elderly General could prove unable to resist.<sup>162</sup> Michael Palliser, Wilson's Private Secretary, had a slightly different perspective. While there was no chance of getting into the Community while de Gaulle was in power, a membership initiative was a way of maintaining pressure on de Gaulle:

We probably ought to spend the intervening period making life thoroughly difficult for the

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<sup>160</sup> Bodleian Library, Reilly Papers, Uncatalogued Memoir, Paris 1966

<sup>161</sup> PRO FO371 188347/M10810 458, How to Get into the Common Market, EEOD, 18 Aug. 1966

<sup>162</sup> Bodleian Library, Reilly Papers, Uncatalogued Memoir, Paris 1966

General by explaining to all and sundry how thoroughly willing we are to go in and thereby forcing de Gaulle into much more explicit reasons for keeping us out... We can both keep up a certain momentum in our relations with Europe and prepare for a post-de Gaulle situation where our entry – together with that of Denmark, Norway etc. – can become possible within the reasonably near future, and perhaps even before the next general election.<sup>163</sup>

Brown maintained that the only way to find a way into the Common Market was to take on de Gaulle. He challenged O'Neill – the author of the report – over his view that de Gaulle's attitude constituted an 'absolute bar' to entry. Where O'Neill had written, 'we will have to rely on time and circumstances, which are the most effective agents of change', Brown responded 'this is jolly negative! What nonsense – what are we here for?'<sup>164</sup> Brown also felt that the Foreign Office was unnecessarily anti-de Gaulle. A Foreign Office official let Wilson know Brown's view:

we have allowed ourselves to take a too starkly anti-French line and have become slightly obsessed with the hostile personality of de Gaulle to the extent of tacitly giving him even more of a right of veto over our policies than he in fact possesses. This is not to disregard the real problems that France's attitude (and those of the General) present, or to deny his substantial nuisance value, but Mr. Brown feels we may perhaps be overdoing it.<sup>165</sup>

Brown even told the French Ambassador, Geoffrey de Courcel, that the Foreign Office hated de Gaulle.<sup>166</sup> Brown also disagreed with the Foreign Office's assessments that Britain would not be able to make adjustments to the

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<sup>163</sup> PRO PREM13 897, Palliser to Wright, 21 Oct. 1966

<sup>164</sup> PRO FO371 188347/M10810 458, How to Get into the Common Market, Brown comments, 18 Aug. 1966

<sup>165</sup> PRO PREM13 908, FO to Wilson, 27 Aug. 1966

Rome Treaty: 'he found this disturbingly negative and defeatist about the French attitude...he thinks we could get better terms'.<sup>167</sup> Brown did fall in with Foreign Office tactics, advocating further probes and a declaration of intent, but unable to accept an unchallenged veto from the French, wanted to pressure harder for an initiative to seek membership in the short term.<sup>168</sup>

The third set of pressures urging Wilson to choose Europe, closely related to the dissatisfaction of the different interest groups, were the political consequences of implementing the deflation. There was a personal element to this difficulty for the Prime Minister, his credibility diminished and fearing that there had been an attempted Cabinet coup during his absence in Moscow. Callaghan was Wilson's only credible leadership rival and Treasury influence increased with the deflation.<sup>169</sup> Economically, the simple fact was that a balance of payments surplus could only be reached at the expense of economic growth.<sup>170</sup> To protect sterling, the Treasury thought it vital to hold fast to the deflation, but political pressure quickly mounted to ease the downturn of activity by adopting selective reflation.<sup>171</sup> When it became apparent, early in October, that unemployment would rise to above 2%, Wilson immediately turned to consider possible reflationary measures.<sup>172</sup>

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<sup>166</sup> Bossuat, 'De Gaulle', *op cit.*, p.513

<sup>167</sup> PRO FO371 188346/M10810 458, Fenn to Gore-Booth, 18 Aug. 1966

<sup>168</sup> PRO FO371 188343, Brown – Stewart – Roll – Gore-Booth, 5 Sept. 1966

<sup>169</sup> Pimlott, *Wilson, op.cit.*, p.431; Morgan, *Callaghan, op.cit.*, p.250

<sup>170</sup> PRO CAB134 3195, SEP(66)2, Future Economic Prospects, Treasury, 9 Aug. 1966; see also Cairncross, *Diary, op.cit.*, p.162, 164, 17 Sept. 1966

<sup>171</sup> See Trend's analysis of this problem, PRO PREM13 855, Economic Strategy, Trend to Wilson, 10 Aug. 1966; also PRO CAB134 3195, SEP(66)1<sup>st</sup>, 11 Aug. 1966

<sup>172</sup> PRO PREM13 857, Economic Strategy, Halls to Trend, 11 Oct. 1966; on the holding line taken by the SEP Committee in September, PRO CAB134 3195, SEP(66)2<sup>nd</sup>, 16 Sept. 1966; Richard Crossman, *The Diaries of a Cabinet Minister, Vol 2 Lord President of the Council and Leader of the House of Commons, 1966-1968* (London: Hamish Hamilton, 1976), pp.39-40, 16 Sept. 1966; *The Times*, 'Unemployment Near Danger Point: Ministers discuss when to pull out of deflation', Political Correspondent, p.1, 20 Oct. 1966

The Group on Planning for Selective Reflation, chaired by William Nield of the Cabinet Office, set out a programme of discriminatory planning for growth. Resources should be streamlined, encouraged into sectors of the economy maximising Britain's productive potential. Efforts would be concentrated on promoting exports and investment, rather than on a more general reflation of consumer demand and should focus on regional development areas.<sup>173</sup> Selective reflation could be justified to the public as harnessing the spare capacity created by the July measures to ensure measured growth, rather than a return to stop-go. While Stewart at the DEA was strongly in favour of reflation as the only means of securing industrial confidence in Britain's future growth, the Treasury held out against any relaxation.<sup>174</sup> Not only did Wilson have to toe the line between political pressure and economic success, he was also very anxious to avoid a severe downturn and serious unemployment.<sup>175</sup> The tension between making the deflation work and demonstrating to economic interest groups and public and political opinion exactly how the economy was going to grow created acute problems.

The problem of a downturn was particularly serious in the realm of private and industrial investment. There were three related problems: the practical impact on the economy of the loss of investment, the centrality of the future confidence in the economy and the relationship between government and private industry. In September, both the Chancellor and the First Secretary argued that the effect of the deflation on the psychology of business

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<sup>173</sup> PRO CAB134 3195, SEP(66)16, Planning for Selective Reflation, Group on Planning for Reflation, 21 Oct. 1966

<sup>174</sup> PRO CAB134/3195, SEP(66)13, Investment Grants, DEA, 20 Oct. 1966; SEP(66)12, Economic Situation and Prospect, Treasury, 19 Oct. 1966

<sup>175</sup> PRO PREM13 1429, Wilson to Callaghan, 17 Oct. 1966; PRO CAB130 299, MISC(66)127, 17 Oct. 1966



confidence, as well as the practical impact on investment in industry, had been underestimated.<sup>176</sup> ICI, for example, the chemical firm with the largest investment programme, had promised severe cutbacks for the oncoming year as the freezing of prices had led to a decline in profits.<sup>177</sup> Investment predictions showed a dramatic decline. Fixed investment in manufactured industry had declined by 4% between 1965 and 1966 and was predicted to decline by a further 9% in 1967. Investment in the distributive and service trades, including shipping, was to fall by 15% in 1966-1967. These concerns were widespread: the risk of a downturn was the headline in *The Times* as ministers prepared to go to Chequers for discussions on the EEC.<sup>178</sup>

The Board of Trade and the DEA put a large part of the decline down to the confidence in the future prospects for the economy, which could therefore be rapidly rectified: 'in part this [the decline in investment] may reflect not only intentions in regard to investment but a loss of confidence in the ability of the economy to regain its resilience and prospects further ahead'.<sup>179</sup> The CBI published a report urging that some action be taken to mitigate the decline in private investment. John Davies, the Director General of the CBI, mentioned the absence of any move towards Europe as part of the reason why business confidence had been so undermined.<sup>180</sup> The government was acutely conscious of the relationship with private industry, with Wilson particularly fearful that ICI's investment decisions were based on 'political'

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<sup>176</sup> PRO CAB134 3195, SEP(66)7, Economic Situation and Prospect, Chancellor, 14 Sept. 1966; SEP(66)8, Economic Situation, First Secretary, 14 Sept. 1966; see also PRO CAB130 299, MISC(66)127, 17 Oct. 1966

<sup>177</sup> PRO PREM13 824, Reid to Nicoll, 9 Nov. 1966

<sup>178</sup> *The Times*, 'Aim to limit fall in investment: Industry's anxiety at sharp decline', City editor, p.1, 21 Oct. 1966

<sup>179</sup> PRO CAB134 3195, SEP(66)14, The Investment Outlook, Board of Trade and DEA, 20 Oct. 1966

<sup>180</sup> PRO PREM13 1429, CBI Report on Stimulation of Industrial Investment, 25 Oct. 1966

considerations.<sup>181</sup> Wilson was also highly anxious as to the state of the economy overall, frantically writing to his Chancellor to suggest schemes to tighten control of capital flows out of Hong Kong and Kuwait.<sup>182</sup> Without investment, there could be no future growth. Without a framework for growth, all of the government's economic policies would lie in ruins.

It is distinctly possible then that European membership, known to be favoured by the CBI, was seen as a possible remedy, offering a framework for future business confidence in the economy that had originally been intended by the National Plan. Trend recognised that to counteract the slump in business confidence the government needed 'appropriate propaganda of the psychological warfare type'.<sup>183</sup> Wilson told Hetherington afterwards that 'the prospect of entry at an early date could stimulate investment soon in expectation of the expanded market'.<sup>184</sup> The deflation, which aimed to hold down demand and growth, put an end to the government's growth targets under the National Plan. The Plan had been the binding goal of the government, wedding together the aspirations of the left and the right of the Party and providing Labour's answer to the persistent crises of stop-go. The death of the Plan left the government with literally no direction. The new Secretary of State for Economic Affairs, Michael Stewart, wrote to Wilson late in October to warn that:

the events of the past year which necessitated the July measures require in consequence a revision of the whole basis of the plan and therefore bring into question the proposal to publish a review of progress this year... To put it crudely, there is no progress to report in terms

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<sup>181</sup> PRO PREM13 824, Reid to Nicoll, 9 Nov. 1966

<sup>182</sup> PRO PREM13 823, Wilson to Callaghan, 17 Oct. 1966

<sup>183</sup> PRO PREM13 856, Trend to Wilson, 21 Oct. 1966

<sup>184</sup> LSE, Hetherington Papers, 12/5, Meeting with Wilson, 28 Oct. 1966

of the original National Plan targets... It is true that the importance of the plan lay as much in the action programme, which was designed to lay the foundation for long term growth, as in the detailed figures which it contained. And there is a good deal of progress we could report on the action. But a document published now which would be concerned with exposing the extent to which the growth assumption has had to be reduced could be embarrassing, one which dodged this issue would not be credible and would lead to ridicule. Moreover, the object of publishing something this year would, as I see it, be to maintain continuing public acceptance of the concept of planning. This would, however, depend on our ability to show when and how we hope to resume growth. I think it would be giving too much of a hostage to fortune to attempt this until we have completed our discussions of the problems involved and have taken the strategic policy decisions required.<sup>185</sup>

Stewart's paper was more than just a restatement that the targets of the National Plan could not now be reached. Rather, Stewart questioned the whole concept of planning as a credible framework for the government's economic policy. The deflation had killed not only the Plan, but also the public's willingness to believe in a Plan. There was little alternative but European membership to fill the aspirational hole left by the failure of the Plan, restoring confidence in the economy and providing the framework for future economic growth.

The National Plan had been one part of Wilson's appeal to the party and nation in 1964. The other was his stress on science and technology, on creating a new meritocratic society and economy based on endeavour, efficiency and the harnessing of 'new' industries. Focus on the technological revolution now shifted to a European stage. Italian proposals for European

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<sup>185</sup> PRO PREM13 827, Stewart to Wilson, 17 Oct. 1966

political development presented to NATO in June suggested a ten-year plan to bring Europe to the levels of technological development experienced in the US.<sup>186</sup> Developing these ideas would be one way of sustaining European activity in NATO following the French withdrawal. It could also provide Britain with a potential lever in attempting to seek membership of the EEC.

An *Economist* article, which Wilson claimed had influenced him in favour of membership, argued that the European Parliament agreed that the creation of a technological community was one 'sound and solid' reason for British membership. British expertise in science and technology would add a welcome angle to Europe's own projects, and the European Parliament had recommended that Britain should be invited to take part in a small number of important technological projects. In particular, space and data-processing were areas where Europe found it difficult to stand up to the USA. The French could be attracted to methods to prevent the 'brain drain' to the USA, fearing that Europe would become an 'industrial province'.<sup>187</sup> Palliser certainly encouraged the Prime Minister to think positively about the potential opportunity created by Britain's technological strength in comparison to the Europeans'. He commented on this article:

what none of our people seem to want to do is use our technological superiority as a lever to get what we want, they're always too afraid the wily Europeans are going to pinch our know-how and leave us naked. Surely we can do better than that.<sup>188</sup>

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<sup>186</sup> PRO PREM13 1850, FO to Rome, tel.998, 22 Sept. 1966

<sup>187</sup> *The Economist*, Europe, 22 Oct. 1966; on Wilson's interest in this article, Crossman, *Diary*, vol.2, *op.cit.*, p.83, 22 Oct. 1966

<sup>188</sup> PRO PREM13 1850, Palliser comments on *Economist* article, 22 Oct. 1966

That Wilson was attracted to the idea of using Britain's technological strength as a lever to get into the EEC was evident from his later comments: 'hint that if they want anything they'll get nowt through NATO and must support our entry into the EEC when we'll really talk business'.<sup>189</sup> As well as an argument in favour of British accession, the technological community idea also served a useful domestic purpose, reviving Wilson's earlier stress on a scientific and technological revolution. Technological innovation was an important feature of the government's discussions with the TUC on the European initiative in November. In particular industries such as aircraft, cars, computers, electronics, chemicals, plastics, synthetic fibres and consumer durables could be expected to benefit. Membership would be the psychological stimulus for management to become more efficient. The increase in capital investment would enable an expansion in research and development of new ideas. Within the Community, Britain would also be able to specialise in areas in which material and human resources were favourable, so improving competitiveness.<sup>190</sup> Through membership, confidence and expectation in the economy would be revived.

#### **The Chequers meeting, 22 October 1966**

Wilson's turn to Europe has been interpreted as a result of his lack of alternatives.<sup>191</sup> Brown and Stewart's paper to the Chequers meeting on 22 October confirmed that the government had no choice but Europe. In a now familiar argument, the two ministers asserted that Britain's economy would be

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<sup>189</sup> PRO PREM13 1850, Wilson comments on Brown to Wilson, 24 Nov. 1966

<sup>190</sup> PRO EW5 17, Briefing Meeting for TUC Economic Committee, 15 Nov. 1966

viable at a lower level of activity, but that this would relegate the UK to a position of secondary influence in world affairs:

If we were content that the balance of international power were managed mainly by others and if we were prepared to give up the idea of protecting our numerous overseas interests or of promoting our ideas on world political developments, this would not necessarily be an unacceptable position. It would, however, constitute a radical change in thinking to which the British people have been accustomed and be a break with the role that this country has tried to perform hitherto.<sup>192</sup>

Failure to join the EEC would diminish Britain's influence with the US, in the Community and in NATO, effectively handing over Britain's European and Atlantic responsibilities to the Germans.

Closely tied to Britain's political influence were the long-term economic implications of exclusion from such a powerful grouping. At the very least, the Commonwealth and EFTA countries would begin to seek closer relations with the stronger Community market.<sup>193</sup> Politically, Britain's Commonwealth ties were becoming less compelling, as Wilson had discovered during the September 1966 Commonwealth Conference. Unable to contain anger at the UDI in Rhodesia, the black African nations had come close to precipitating the collapse of the Commonwealth, the Zambian Prime Minister ~~Kaunda~~ calling Wilson a 'racialist'.<sup>194</sup> For EFTA, the consequences of exclusion from the CAP would force Denmark at least to turn to the EEC without Britain. Business and industry would also suffer a serious

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<sup>191</sup> Young, *Britain, op.cit.*, p.95

<sup>192</sup> PRO CAB134 2705, E(66)11, Britain and Europe, First Secretary and Foreign Secretary, 18 Oct. 1966

<sup>193</sup> *ibid.*

<sup>194</sup> Ziegler, *Authorised Life, op.cit.*, p.240; Wilson, *Labour, op.cit.*, pp.277-287

psychological set-back at the prospect of permanent exclusion from Europe's fastest-growing markets and would either move or seek compensation. In the long-term, Britain would be left 'swimming increasingly alone against contrary economic tides'.<sup>195</sup>

In addition to the long-term compulsion, in the short-term Brown and Stewart argued that Britain had to keep on demonstrating interest in European membership in order to sustain existing European policy. Failure to advance Britain's rhetoric, stating that Britain was ready to enter the Community if the 'essential interests' could be satisfied, would in fact lead to retreat. To keep on repeating the same policy without convincingly showing Britain's intent to enter would undermine the confidence of Britain's supporters amongst the Six and would make it look as if Britain were not serious. Again, Britain had to keep running faster and faster to stand still. As the Six developed, so Britain's attitude had to advance in order to retain British influence over the thinking of the Six.<sup>196</sup>

Discussion of Britain's economy dominated the Chequers meeting. Yet, there was a division of opinion as to the relationship between a turn to membership and Britain's economic health. William Armstrong, Permanent Under Secretary in the Treasury, argued that the expectation of membership could force Britain to devalue. Britain's balance of payments was heavily dependent on exchange controls of capital movements, of a kind contrary to the Treaty of Rome. If the economy was weak at the time of entry, the expectation that Britain would lift exchange controls – or the end of the transitional period at which Britain would have to lift the controls – capital

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<sup>195</sup> PRO CAB134 2705, E(66)11, Britain and Europe, First Secretary and Foreign Secretary, 18 Oct. 1966

would 'tend to anticipate' the outflow of funds. Speculators, envisaging a flow of capital out of the country on the lifting of controls, would sell sterling in anticipation, precipitating devaluation.<sup>197</sup> Britain's prospects for membership therefore rested on the recovery of the economy.

The Treasury's view coincided with that expressed by the politically appointed economic advisers Thomas Balogh and Nicholas Kaldor. In the interdepartmental official Committee set up to deal with the implications of membership, Balogh and Kaldor had maintained that the economy was so weak that an attempt to enter the Community was not possible for at least five years. Capital and labour would be drawn out of Britain into more prosperous areas in Europe, leaving Britain an 'industrial slum'.<sup>198</sup> Part of Balogh and Kaldor's motivation had been to show the government the need to devalue. As O'Neill had commented during a meeting of the Official Committee, rather than drawing the conclusion that Britain should abstain from European membership, was it not more the case that 'present economic policies are wrong?'<sup>199</sup> The advisers' submission to the Chequers meeting argued that Britain's economy could cope only if 'we could find ways of improving the balance of payments prospects in a dramatic manner'.<sup>200</sup> This was a slightly different concern to Armstrong, whose main interest was ensuring, in the light of the pressure for reflation, that the stringent measures worked.

The Treasury's advice conflicted with that of officials within the DEA. Derek Mitchell at the DEA, the chair of the Economic Official Sub-

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<sup>196</sup> *ibid.*

<sup>197</sup> PRO CAB130 298, MISC126(66)1<sup>st</sup>, 22 Oct. 1966

<sup>198</sup> PRO PREM13 908, Balogh to Wilson, 20 Oct. 1966; PRO CAB134 2756, E(O)(E)(66)6<sup>th</sup>, 14 July 1966; PRO CAB134 2757, E(O)(E)(66)3, Economic Considerations, Report by MacDougall, Balogh, Cairncross, Neild and Kaldor, 2 June 1966

<sup>199</sup> PRO CAB134 2757, E(O)(66)2<sup>nd</sup>, 3 June 1966



Committee, declared himself 'fed up to the back teeth of the whole sodding lot of them'.<sup>201</sup> Mitchell submitted his own minority report to the Official Committee, arguing that the economy did not prevent Britain from starting negotiations for membership. The advisers concentrated only on the negative aspects of membership, failing to address what would happen if Britain stayed out.<sup>202</sup> The key for Mitchell was the long-term advantages of membership. Over the long-term, European membership would prove beneficial because of the economies of scale and the stimulus to competition. It would not in itself foster growth, but it would accelerate the trends towards reorganisation that were happening anyway. 'Exposure to the pressures and opportunities of a European market is likely to accelerate throughout British industry trends which are already at work – a trend towards greater product specialisation and in many (although not all) industries towards the emergence of larger units'. The economies of scale were particularly important to the technological industries: 'The UK market is too limited to sustain economic production in these products...Distribution and marketing on a substantially increased scale would also offer increasing competitive advantage'.<sup>203</sup> In the short-term, a policy of seeking European membership could provide the elusive quality of confidence to industrialists and speculators. Creating confidence was central to the arguments used in the Chequers meeting.<sup>204</sup> Because industrialists sought

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<sup>200</sup> PRO CAB134 2705, E(66)9, Economic Implications of UK Membership, Officials, 22 Oct. 1966

<sup>201</sup> Sir Derek Mitchell, Interview with author, 26 Aug. 1997

<sup>202</sup> PRO CAB134 2757, E(O)(E)(66)6, Interim Report on the Economic Implications, Minority Report, 26 July 1966

<sup>203</sup> PRO CAB134 2705, E(66)9, Economic Implications of UK Membership, Official Report, 22 Oct. 1966

<sup>204</sup> PRO CAB134 2705, E(66)11, Approach to Europe, First Secretary and Foreign Secretary, 18 Oct. 1966

membership, the expectation of membership would help in encouraging investment to Britain and to stay in Britain:

The issue was largely one of confidence which could alter rapidly and in that connection it was particularly important to have in mind the extent to which an indication of our willingness to enter the Communities through undertaking more far-reaching discussions might be expected to lead to a revival of business confidence and hence of investment, the level of which was at present one of the most serious weaknesses in our economy.<sup>205</sup>

The treatment of agriculture also indicated the central importance of the economic and industrial considerations. The official report reiterated the Ministry of Agriculture's concerns that membership would distort agricultural production, favouring cereals to the detriment of dairy, livestock and horticulture. High prices and higher import costs would raise the cost of living by 10-14%. In addition, the Six's ratification of the May settlements as to the next stage of the CAP confirmed that Britain would have to hand over to the agricultural fund 90% of the proceeds from agricultural levies. The net cost to the balance of payments would therefore be between £175-250m per year.<sup>206</sup> The DEA in the Economic Sub-Committee had led the charge that agriculture constituted only 4% of the nation's Gross Domestic Product (GDP). The effect on industry was therefore by far the most important consideration. If industry stood to benefit from membership, then the economy as a whole would be able to carry the balance of payments effects of entry.<sup>207</sup> This point was made at the Chequers meeting: 'if we entered the Community from a position of economic

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<sup>205</sup> PRO CAB134 2705, E(66)3<sup>rd</sup>, 22 Oct. 1966

<sup>206</sup> PRO CAB134 2705, E(66)9, Economic Implications of UK Membership, Official Report, 22 Oct. 1966

<sup>207</sup> PRO CAB134 2757, E(O)(E)(66)22, Draft Interim Report, DEA, 19 July 1966

strength, the increase of industrial productivity which might be expected to follow, should more than offset the consequences of accepting the CAP'.<sup>208</sup>

Sovereignty and the constitutional principle of supranationality were also discussed. Officials, under the lead of Sir George Coldstream in the Lord Chancellor's Department, revealed a pragmatism and flexibility of approach that was left undisputed by ministers. Coldstream argued that in practice, neither the Council of Ministers nor the Commission had ever sought to overrule a member country on any important issue and a number of the Commission's decisions had been successfully defied. The Commission in reality did not initiate legislation without the firm approval of the member states in advance. Majority voting had been held back by the attitude of France, but officials felt that once inside the Community, Britain would be likely always to hold a blocking minority at least. While it might be attractive to appeal to France by promising to obstruct supranational development, it would be counterproductive to seek actively to reduce the powers of the Commission before entry. A rigid opposition to 'supranationality' was likely to prevent British accession. Suggesting amendments to the Treaty of Rome to bring the Treaty into line with the pragmatic day-to-day workings of the Community would only instil hostility, doubt about Britain's intentions and ultimately impede membership. Once inside the Community, Britain would be in a better position to secure her objectives:

we should do better to rely on some of the present members of the Community who shared our general approach, together with some of the members of EFTA who might be expected to join the Community with us, to provide a reasonable assurance that we should command

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<sup>208</sup> PRO CAB130 298, MISC126(66)1<sup>st</sup>, 22 Oct. 1966

sufficient support to give effect to our views about the way in which the EEC should operate.<sup>209</sup>

Although officials did not deny that membership would affect the sovereignty of Parliament because of Community legislation, ministers were influenced by the constriction of Britain's influence outside the Community. Some ministers expressed doubts about the wisdom of submitting to an institution in which national legislation could be overridden. But the main point was that:

it was, however, strongly argued that current practice in the Communities, and political realities, made it unreasonable to think that we should be overruled in the communities in any matter affecting our major interests, as in respect of economic controls, the major constraints upon our position arose from the extent to which we were politically, militarily and financially interdependent with major western powers.<sup>210</sup>

In this way, it is evident that ministers were ready to address the issues of the limits to their power in a way that had not been apparent during the first term in office. The collapse of the government's economic objectives under the National Plan must have been central to this shift in thinking. In real contrast to his attitude during 1965 and early 1966, Wilson was now willing to address the economic changes membership would bring. Each of the five 'conditions' of membership was shown to be of a lesser importance than hitherto. Protecting EFTA's interests was not as important as EFTA wanted to join the EEC and would seek to do so anyway if Britain did not take the lead. Austria's negotiations with the EEC showed that the problem of 1961-3, when EFTA's neutrality stood in the way of EFTA's accession to the EEC, was no

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<sup>209</sup> *ibid.*

<sup>210</sup> PRO CAB134 2705, E(66)3<sup>rd</sup>, 22 Oct. 1966

longer an issue.<sup>211</sup> The transformation of trade with the Commonwealth raised greater dissent, as some ministers were wary of the balance of payments cost of a loss of the Commonwealth preference. But the developing countries were seeking association with the EEC and Australia, New Zealand and Canada were strong nations in their own right, whose trading interests were shifting. Canada was becoming increasingly associated with the USA and Australia with Japan, although New Zealand was still dependent on Britain's market. Wilson hedged the question of the Commonwealth, arguing that the settlement for the Commonwealth depended on the extent to which Britain would accept the CAP.<sup>212</sup>

On the CAP, Wilson insisted that changes would be sought. Britain would require transitional periods in order to adjust to the different prices and would also need 'accommodation' for the distortion to production.<sup>213</sup> In a clear indication of the effect of the economic crisis, Wilson showed that preservation of economic sovereignty was no longer a stumbling block. Britain's freedom of economic action was circumscribed anyway by activities beyond Britain's control. 'Experience and enquiry now suggested that our external financial and economic obligations already limited our freedom to plan the economy as much as, or more than, membership of the Community seemed likely to do in practice'.<sup>214</sup> Freedom to fulfil Britain's foreign policy was technically less of a problem. De Gaulle, Wilson argued, did not find himself much constrained by the EEC. There was also the question of whether or not de Gaulle would veto. Some ministers felt that he would not be able to

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<sup>211</sup> *ibid.*

<sup>212</sup> *ibid.*

<sup>213</sup> *ibid.*

<sup>214</sup> *ibid.*

veto because of pressure within France and within the Five for British accession. Others disagreed; feeling that opinion would in no way determine the actions of the General. On the whole, however, there was a strong sentiment that de Gaulle's possible attitude should not dictate what Britain did or did not do. The probability that de Gaulle would obstruct Britain could not hinder the government's taking the decision in principle to approach the EEC.<sup>215</sup>

The government was also faced with a choice of tactics in its approach to the EEC. Brown and Stewart recommended making an immediate declaration that Britain could accept the Treaty of Rome, continuing with bilateral discussions in order to establish the main areas of difficulty and possible solutions.<sup>216</sup> Brown wanted an initiative now, leading to a decision in mid-1967, negotiations in 1968 and entry in 1969.<sup>217</sup> Brown was in fact so keen for a declaration of intent to accept the Treaty that just before the Chequers meeting he had effectively suggested his resignation. If Britain's policy was not advanced in this way, Brown threatened that the Foreign Office would refuse to associate with further probing of the Community, completely undermining the government's European policy.<sup>218</sup> Wilson was reluctant to declare acceptance of the Treaty because a firm declaration implied a greater commitment to the Treaty's economic provisions than the Prime Minister was currently willing to concede. His approach depended on the possibility that Britain could negotiate safeguards for agriculture, transitional periods for the movement of capital and provisions for New Zealand's trade. To announce in

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<sup>215</sup> *ibid.*

<sup>216</sup> PRO CAB134 2705, E(66)11, Britain and Europe, First Secretary and Foreign Secretary, 18 Oct. 1966

<sup>217</sup> PRO CAB134 2705, E(66)3<sup>rd</sup>, 22 Oct. 1966

advance that Britain accepted the Treaty could undermine Britain's bargaining power<sup>219</sup>; but it would certainly prove difficult with ministers who were not reconciled to accepting that the 'conditions' of membership should be overturned.<sup>220</sup> In addition, Wilson indicated that stating now that Britain accepted the Treaty could prove disastrous for the economy. 'if made prematurely, [an announcement] would have more immediate serious consequences for our economic position by suggesting that we intended at an early stage to abandon the economic controls which were at present necessary to maintain it'.<sup>221</sup> Expectation of the removal of controls on capital restrictions would precipitate devaluation.

It was widely regarded that immediate negotiations for membership were impossible. Not only was de Gaulle's attitude likely to prove obstructive, but as Trend had pointed out, negotiations could prove 'embarrassing' by revealing the strength of the economic arguments, both at home and abroad, against immediate accession. As a result Trend suggested taking up Gerhard Schroeder's proposal for a detailed study of the problems of accession between Britain and 'like-minded' members of the EEC.<sup>222</sup> The proposal of a 'probe' of the countries of the Six, to be conducted by Brown and Wilson, was Wilson's own. It had been his preference when European policy was first raised in January 1966 and according to Palliser, Wilson suggested the idea to Brown during the day at Chequers. Brown was disappointed, as it fell short of his proposal for a declaration, but was forced to accept because the probe

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<sup>218</sup> PRO FO371 188346/M10810 473, Maclehorse to Statham, 19 Oct. 1966

<sup>219</sup> PRO CAB134 2705, E(66)3<sup>rd</sup>, 22 Oct. 1966

<sup>220</sup> Wilson's opposition to a declaration had been made clear in January 1966 PRO PREM13 905, Stewart to Wilson, PM/66 3, 21 Jan. 1966 and again in May PRO PREM13 906, Wilson to Brown, 19 May 1966

<sup>221</sup> PRO CAB134 2705, E(66)3<sup>rd</sup>, 22 Oct. 1966

suggestion at least committed the Prime Minister to a European initiative.<sup>223</sup> The probe would, as Wilson put it, enable 'informal consultations with the Six individually', to 'state what our major difficulties were, and seek to ascertain how far they would be met, and whether there would be any conditions in regard to, for example, our relations with the USA'. On the central issue of the Treaty of Rome, Wilson conceded that 'if asked whether we could accept the Treaty, the reply might be that provided that we received satisfaction on the points on which we still saw difficulty, adherence to the Treaty would not in itself be a sticking point'.<sup>224</sup> While the probe was ongoing, officials would study possible alternatives to membership, namely 'going it alone' and staying out of any grouping, or teaming up in a North Atlantic association.

The advantages for Wilson of the tactical choice of the tour were mainly party political. Wilson emphasised that the tour of the Six implied no prior commitment to the principle of membership, it was simply a fact-finding mission to see if the conditions existed for Britain to enter the EEC. Alongside study of the alternatives to membership, the Prime Minister gave the impression that he was as yet uncommitted to EEC entry, enforced by his comments that whilst in Europe, he would act as the foil to Brown's ardent enthusiasm.<sup>225</sup> The tour bought time, advancing Britain's commitment by associating the Prime Minister with the initiative, but postponing the moment of decision as to whether or not Britain could accept the conditions on offer. It

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<sup>222</sup> PRO PREM13 908, Trend to Wilson, 21 Oct. 1966

<sup>223</sup> Sir Michael Palliser, Interview with author, 24 Aug. 1999

<sup>224</sup> PRO CAB134 2705, E(66)3<sup>rd</sup>, 22 Oct. 1966

<sup>225</sup> Crossman, *Diaries*, vol. 2, *op cit.*, pp.84-85, 22 Oct. 1966



was, however, unlikely that Wilson would choose to retreat following the tour. As Castle noted, 'Harold is edging his way step by step towards his goal'.<sup>226</sup>

In addition, the tour differed from Trend's suggestion in one crucial aspect. Trend wanted a study only with the interested and sympathetic members of the Six, creating a blueprint for accession over the longer term. Wilson and Brown's probe would directly confront de Gaulle. Wilson seems to have absorbed, through necessity perhaps and encouraged by Palliser's view of the strength of the technological card, some of Brown's optimism and desire to challenge the General. In response to Schroeder's proposal for a joint study, Wilson suggested that perhaps the government should try to take some credit for proposing EEC-EFTA links a year before.<sup>227</sup> Receiving an obstructive response from officials, Wilson, with the tones of Brown, commented: 'this seems very negative. Why go on letting the General exercise a veto all the way?'<sup>228</sup> Wilson wanted to take on the General. His comment that the tour intended to uncover whether there would be a political price for entry, essentially whether the French would demand the end of Britain's links with the USA, was an indication of the lurking possibility that Wilson could negotiate a deal with the General.<sup>229</sup> Crossman certainly thought that Wilson believed himself capable of success where everyone else had failed. In conversation that night, Crossman urged Wilson to leave the tour to the professional diplomats:

"I am a professional", he replied. "I am a professional, Dick". He said it in a strange voice that made me realise that he already regards himself as an expert on foreign affairs and a

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<sup>226</sup> Castle, *Diaries, op cit.*, p.92, 3 Nov. 1966

<sup>227</sup> PRO PREM13 908, Roberts to FO, tel.1443, 13 Oct. 1966

<sup>228</sup> PRO PREM13 908, Wilson comments on Fenn to Palliser, 13 Oct. 1966

<sup>229</sup> PRO CAB134 2705, E(66)3<sup>rd</sup>, 22 Oct. 1966

statesman able to achieve what no professional diplomat can achieve.<sup>230</sup>

Furthermore, the tour would associate the Prime Minister personally with the European initiative, ensuring it would be difficult to turn back. As Crossman acknowledged:

In order to overtrump George Brown, Harold had in fact conceded him far more than he'd asked for. All George and Michael Stewart came to Chequers asking for was a declaration of intent to sign the Treaty of Rome. But now Harold had conceded a tour round Europe by George and himself which was bound to commit us far further towards entry than any paper declaration of intent.<sup>231</sup>

The government had no alternative, but the turn to Europe cannot be seen as a deliberate attempt to reorient Britain's power. Wilson's actions were securely founded in the traditional desire to preserve the parity of sterling. Creating confidence in the economy could help to uphold this objective by providing the framework for future growth. In addition, while the EEOD had some radical ideas about Britain's future foreign policy role, the Chequers meeting was followed by a decision against a dramatic reorientation in Britain's defence commitments overseas.

In the Foreign Office, there was a far greater acceptance that European membership was the vehicle by which Britain could find a new role, a framework for effecting radical change in Britain's external relations. Con O'Neill argued:

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<sup>230</sup> Crossman, *Diaries*, vol. 2, *op.cit.*, p.87, 22 Oct. 1966

<sup>231</sup> *ibid.*, p.85, 22 Oct. 1966

For the last twenty years this country has been adrift. On the whole it has been a period of decline in our international standing and power. We do not know where we are going and have begun to lose confidence in ourselves. Perhaps a point has been reached where the acceptance of a new goal and a new commitment could give the country as a whole a focus around which to crystallise its hopes and energies. Entry into Europe might provide the stimulus and the target we require.<sup>232</sup>

Within the Cabinet, it is undeniable that there was a much greater questioning about Britain's power in the world and recognition that European entry was the only way of preserving the existing bases of Britain's power. Acknowledgement of decline was therefore much more widespread.<sup>233</sup> Ministers' discussion at Chequers illustrated their preoccupation, as they discussed Britain's future role and direction:

Whatever happens, we need to cut back our overseas commitments and withdraw our troops from the Far East and the Middle East. 'Again, take devaluation... This is also a pre-condition of our recovery whether we are inside or outside the Market'.<sup>234</sup>

However, O'Neill's sentiment was not widely shared and was not presented to ministers at Chequers. Trend argued that it would be difficult to replace the 'not inconsiderable benefits of prestige' deriving from Britain's position at the centre of the Commonwealth.<sup>235</sup>

Moreover, the decision to turn to Europe was followed by a decision to delay complete withdrawal from any of the military overseas theatres. Since

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<sup>232</sup> PRO FO371 188347/M10810 475, O'Neill to Thomson, 21 Oct. 1966; Young, *Blessed*, *op cit.*, pp.189-191

<sup>233</sup> Young, *Britain*, *op.cit.*, p.95

<sup>234</sup> Crossman, *Diaries*, vol.2, *op.cit.*, p.83; PRO CAB134 2705, E(66)3<sup>rd</sup>, 22 Oct. 1966

<sup>235</sup> PRO PREM13 908, Trend to Wilson, 21 Oct. 1966

July, the Treasury had been pressuring hard for the implementation of savings from overseas expenditure in order to sustain the parity of sterling. Callaghan urged Healey in the strongest terms for cuts well beyond the February defence review projections of a ceiling to defence expenditure of £2000m. By 1969-1970 he wanted savings of an additional £150m.<sup>236</sup> Healey's response indicates his shock at the vigour of Callaghan's demands and the impossibility of carrying it out at speed:

What you are asking me to consider is a reduction of up to £200m a year on the figure approved earlier this year by ministers. There is no hope whatever of tackling this by for example, closing the odd dockyard. What is involved is a complete new defence review with major implications for our foreign and defence policy, also maybe for the aircraft industry.<sup>237</sup>

Healey was not in favour of retrenchment<sup>238</sup>, but Brown's arrival at the Foreign Office provided a minister in an overseas portfolio who was not afraid to address the case for pulling out of the Persian Gulf and the Far East. He told officials that complete withdrawal was the only possibility and later expressed the same opinion to Healey.<sup>239</sup> Political pressure from Brown to solve Britain's economic crisis in this way was unwelcome for Wilson, who already faced continual criticism from the left, in and out of Cabinet, over Britain's 'imperial' role.<sup>240</sup> Wilson did not want to reopen the defence review

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<sup>236</sup> PRO FO371 190820, Callaghan to Healey, 11 Aug. 1966

<sup>237</sup> PRO FO371 190820, Healey to Callaghan, 16 Aug. 1966; see also FO371 190820 ZD13 23G, Arthur to Macle hose, 18 Aug. 1966

<sup>238</sup> Healey, *Time*, *op.cit.*, pp.299-300; see also FO371 190821 ZD13 53G, Arthur to Gore-Booth, 6 Oct. 1966

<sup>239</sup> FO371 190820 ZD13 23G, Fenn to Burrows, 20 Aug. 1966; PRO FO371 190820 ZD13 23G, Macle hose to Arthur, 19 Sept. 1966

<sup>240</sup> For example, Benn, *Wilderness*, *op.cit.*, p.462, 464, 27 July and 3 Aug. 1966

completely, Trend intervening to defer further discussion on how to carry out the reductions until after the Chequers meeting on Europe.<sup>241</sup>

Duly, Wilson met with a restricted selection of ministers – Wilson, Brown, Stewart, Callaghan, Healey, Crossman and the Commonwealth Secretary Herbert Bowden – in the evening of 22 October at Chequers. Despite the views of Brown and Callaghan, with Crossman also in favour of complete withdrawal from the Far East, the meeting concluded against retrenchment. Healey set out the political case against too quick withdrawal, recommending instead cuts of one third of the forces in Europe and one-half in the Far East. There could be a 10% cut in Singapore and Malaysia, reducing the army from 165 000 to 150 000 because of the ending of Confrontation. By 1970-1971, Britain could hope to save an additional £200m on the existing projections. The cuts would be difficult, but preferable to complete withdrawal from one major theatre. In this way, Britain's commitments could be sustained: 'the cuts would inevitably involve a number of decisions which would cause serious embarrassment of the government...these difficulties, would, however, be far less than those which would raise from our seeking to withdraw altogether from a major theatre'.<sup>242</sup> Both Brown and Crossman disagreed. Brown accepted that the study should begin on this basis, but wished to reserve his position until the results of the study were available. Crossman argued that the cuts would mean that Britain would prove unable to carry out her commitments anyway. Yet the argument for preservation of Britain's commitments held sway:

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<sup>241</sup> PRO FO371 190821 ZD13 54G, Burrows to Gore-Booth, 30 Sept. 1966

<sup>242</sup> PRO CAB130 301, MISC129(66)1<sup>st</sup>, 22 Oct. 1966; Crossman, *Diaries*, vol.2, *op cit.*, pp.85-87; Healey, *Time*, *op.cit.*, pp.299-300, Wilson, *Labour*, *op cit.*, p.297

we must not, moreover, ignore the importance to our vital interests both of maintaining our relationship with our allies and of contributing to world wide stability, and it might in creating circumstances be more important to those interests and to our security to accept the economic deprivations entailed in maintaining the level of defence expenditure postulated in the defence review rather than to make heavy reductions.<sup>243</sup>

Thus, economic difficulties did not lead to an immediate retreat from Britain's political commitments, although the possibility of complete withdrawal was clearly very real. What this shows is the fragmented nature of Wilson's policy reorientation. The July crisis forced a rethink on EEC membership, but it was a rethink designed to hold together the established bases of policy. A solution such as Brown's would have amounted to a radical reappraisal of Britain's priorities by devaluing the pound, turning to Europe and casting free from Britain's defence commitments and so from the 'special' relationship with the USA. Wilson rejected this approach. Instead, he chose to sustain the parity of the pound. The prospect of EEC membership partly assisted this goal. Sustaining the parity also enabled Wilson to avoid a precipitate withdrawal from the Far East and so avoid the immediate rancour of American opinion. In this way, the aftermath of July 1966 was a bid for stasis: managing the crisis without a radical transformation of Britain's conventional outlook. Although the government had no alternative, the turn to the EEC was not a break with the past.

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<sup>243</sup> PRO CAB130 301, MISC129(66)1<sup>st</sup>, 22 Oct. 1966

#### 4. Free-wheeling with the General<sup>1</sup>: The Formation and Conduct of the Probe of the Six, November 1966 – March 1967

Contrary to the criticisms levelled against Wilson, the European probe was no gimmick. His colleagues have led the charge that the Prime Minister was not serious in his intent to enter the Community. George Wigg, Paymaster General and adviser on security affairs, commented that Wilson wanted an initiative that 'looked and sounded like business'.<sup>2</sup> Peter Shore, Wilson's Parliamentary Private Secretary, believed at the time that Wilson only embarked on the bid to show George Brown that membership was impossible.<sup>3</sup> Recent commentary has suggested that failure was certain, but that the bid for accession facilitated other policy objectives, such as outflanking Edward Heath and isolating the French in Europe.<sup>4</sup> As the preparation for and conduct of the probe clearly illustrates, Wilson's European venture was a genuine attempt to seek membership of the Communities. The Prime Minister's problem was that in order to build support for the initiative abroad, he had to lessen the emphasis on the 'conditions' of membership at home. In fact, Wilson dealt with both problems with skill, leading an initiative that was flexible and conducive to European opinion, but which gradually brought the Cabinet to accept there was no choice but membership.

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<sup>1</sup> Young, *Britain op cit.*, p.96

<sup>2</sup> George Wigg, *George Wigg* (London: Michael Joseph, 1972), p.339

<sup>3</sup> Peter Shore, *Separate Ways: Britain and Europe* (London: Duckworth, 2000), p.41; Lord Shore, Conversation with Peter Hennessy and Helen Parr, 7 December 1998

## Preparation for the Probe, November – December 1966

Both the President of the Board of Trade and the Minister of Transport agreed that the Cabinet was 'ruthlessly stage managed' in order to secure a 'yes' vote to a second European application.<sup>5</sup> Jay argued that if Wilson had directly proposed an application for membership in November, opinion in the Cabinet would have held sway against. Because of this, Wilson bided his time, using the probe to effect a major reversal of policy while not admitting that policy had changed.<sup>6</sup> Cabinet opposition to an initiative was indeed strong. Seven ministers appeared opposed to a European initiative in any circumstances. Leading the opponents was Jay himself, so adverse that he allegedly took cornflakes with him on continental trips.<sup>7</sup> Joining him was the Minister of Power Richard Marsh, whose memoirs record mainly his hostility to Wilson and the Minister of Transport Barbara Castle, her left-wing heritage leading her against the liberalising capitalism of the Common Market.<sup>8</sup> Also hostile, although it is less clear how strongly, were the Minister of Agriculture Fred Peart, Commonwealth Secretary Herbert Bowden, Scottish Secretary William Ross and Minister of Housing Anthony Greenwood.<sup>9</sup>

Three powerful ministers occupied a negative middle ground, based mainly on the notion that this was the wrong time for an initiative. Healey, who Jay records as a strong opponent, thought that de Gaulle would veto or

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<sup>4</sup> Kaiser, 'British EEC Applications', *op.cit.*, pp.67-72

<sup>5</sup> Castle, *Diaries*, *op.cit.*, p.92, 3 Nov. 1966; Jay, *Change*, *op.cit.*, pp.366-189; for another supporter of this view, Douglas Evans, *While Britain Slept: The Selling of the Common Market* (London: Victor Gollancz, 1975), pp.11-12, 68

<sup>6</sup> Jay, *ibid.*, pp.366-7

<sup>7</sup> Young, *Blessed*, *op.cit.*, comment on photo inset, p.272

<sup>8</sup> Richard Marsh, *Off the Rails: An Autobiography* (London: Wiedenfeld and Nicolson, 1978), pp.96-98; for an example of Castle's views, Castle, *Diaries*, *op.cit.*, p.126, 30 Apr. 1967

<sup>9</sup> Jay, *Change*, *op.cit.*, pp.365-6



use an application to obstruct progress in the Kennedy Round of tariff negotiations, essential to Britain's future industrial strength.<sup>10</sup> Callaghan initially expressed opposition, influenced by his Treasury officials, because an initiative could precipitate devaluation and because officials feared the conditions demanded by the Six would be too stringent for the Cabinet to accept.<sup>11</sup> Both Callaghan and former Foreign Secretary Michael Stewart favoured a declaration of intent to accept the Treaty of Rome, as it implied delaying an immediate move for negotiations.<sup>12</sup> Seven ministers were firmly in favour. These were Brown and Home Secretary Roy Jenkins, the Lords Gardiner and Longford as well as Minister for Overseas Development Arthur Bottomley. Education Secretary Tony Crosland and Minister without Portfolio Douglas Houghton also supported the move. A further three, Minister of Labour Ray Gunter, Crossman and Minister of Technology Tony Benn, attracted to the possibility of a technological community in Europe, were wavering in favour.<sup>13</sup> The balance of opinion was therefore extremely fine.

Wilson did attempt to shift the Cabinet towards acceptance of the probe by stressing that this was not a change in policy. He did not set out a political case for membership, concentrating instead on the terms under which Britain would go in and the procedure to be adopted. The only positive argument in favour of the principle of British membership was that of the economies of scale, the benefits 'derived from membership of a much larger market'.<sup>14</sup> Substantial doubt in the Cabinet led Wilson and Brown deliberately to set against each other the tactical options of a probe and a declaration of

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<sup>10</sup> PRO CAB128 41, CC(66)53<sup>rd</sup>, 1 Nov. 1966; Jay, *Change, op.cit.*, p.366, 381

<sup>11</sup> PRO PREM13 909, Callaghan to Wilson, 31 Oct. 1966

<sup>12</sup> Crossman, *Diaries, vol.2, op.cit.*, p.105, 3 Nov. 1966

<sup>13</sup> Jay, *Change, op.cit.*, pp.365-6

intent. All ministers agreed that Britain should continue to demonstrate sincerity of interest towards Europe in order to sustain influence. The tour would postpone a decision in principle, while a declaration of intent appeared to over-commit Britain to the provisions of the Treaty of Rome. Promising a meeting of the EFTA Heads of Government indicated that the government would prioritise safeguards for the interests of Britain's European partners. An agreement to study potential alternatives to membership, such as the plan for an Atlantic Free Trade Area and 'Going it Alone' implied that different courses of action had not been completely ruled out. The Cabinet also considered when and how to consult the Commonwealth. This further watered down the sense that Cabinet was taking a firm decision in favour of a European application.<sup>15</sup>

On the final day of Cabinet discussion, ministers debated the issues about which Britain would require further clarification. Wilson and Brown would emphasise on the tour that the CAP would distort British agricultural production and lead to a rise in prices and living costs. Acceptance of the agricultural financing arrangements would pose an intolerable burden on Britain's balance of payments and would need review. Liberalisation of capital movements would also require safeguards, and Britain's ability to carry out regional policies that prioritised the development areas would have to be ensured. Certain Commonwealth countries would have to seek association and arrangements would be required in particular for New Zealand trade.<sup>16</sup> Agreement for the Commonwealth should be no worse than that reached

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<sup>14</sup> PRO CAB128 41, CC(66)53<sup>rd</sup>, 1 Nov. 1966

<sup>15</sup> PRO CAB128 41, CC(66)54<sup>th</sup>, 3 Nov. 1966

<sup>16</sup> PRO CAB129 127, CC(66)149, Europe, Foreign Secretary, 7 Nov. 1966

during the Brussels negotiations in 1961-3.<sup>17</sup> Wilson expressly stated that only after exploratory discussions would the Cabinet have to choose whether terms that might reasonably be obtained in negotiations were adequate to justify joining the Community.<sup>18</sup> *The Times* also conveyed the impression that although the government 'means business', no decisions would be taken until after the tour was complete.<sup>19</sup>

One point suggests that ministers needed further stimulus than Wilson's carefully considered tactics and also indicates a deeper agenda forcing acceptance of the European move studiously ignored in Jay's account. Callaghan argued that Britain needed to approach Europe in order to 'give hope to private business and to end the crisis of confidence in industry which is preventing the growth of essential private capital investment which we need to get over the winter slump'.<sup>20</sup> Not only was reflation of the economy a central cause of both the left and of Douglas Jay, but the need to stimulate confidence in the economy came at a time of critical importance for the government's policy in Rhodesia. Mandatory sanctions, adopted to squeeze out Ian Smith's illegal white minority government, would impose 'grave stresses and strains on sterling'. Callaghan concluded that 'if we are going to face those problems in Rhodesia without any effort to enter Europe, I can't give any guarantee about the future of the pound'.<sup>21</sup> Castle's support for the probe was partly based on this consideration.<sup>22</sup> Furthermore, Callaghan's interjection also showed that in order to support Commonwealth policies,

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<sup>17</sup> PRO CAB129 127, CC(66)150, Commonwealth Consultations, Commonwealth Secretary, 7 Nov. 1966

<sup>18</sup> PRO CAB128 41, CC(66)55<sup>th</sup>, 9 Nov. 1966

<sup>19</sup> *The Times*, 'New Year Steps to Get into Europe: Wilson and Brown missions direct to heads of the Six', p.1, 11 Nov. 1966

<sup>20</sup> Crossman, *Diaries*, vol.2, *op cit.*, p.117, 9 Nov. 1966

Britain had no choice but to move towards Europe to strengthen its economic and political base. Having no alternative, the bottom line argument according to Trend<sup>23</sup>, underlay the Cabinet's reluctant support for Wilson's initiative.

The other main doubt about the government's tour was the attitude of General de Gaulle. Unlike 1961, it was widely recognised that de Gaulle was opposed to Britain's membership of the EEC.<sup>24</sup> The premise of the initiative was that while it was abundantly clear that de Gaulle did not want to let Britain into the Community, nor did he want to issue a second veto. His priority was France's policy towards NATO, Reilly believing he had settled the empty chair crisis in order to concentrate on NATO. Public opinion would be unwilling to support simultaneous obstructionism in the EEC and in NATO and therefore, in order to secure his objectives towards the Atlantic Alliance, de Gaulle could be persuaded to allow Britain into the EEC. Facing Presidential elections in December and Parliamentary elections in April, de Gaulle could be particularly unwilling to make public his opposition to British candidature.<sup>25</sup>

Eventual British membership was still a popular cause in France. Members of de Gaulle's own government, such as Pompidou and the Finance Minister Michel Debré found it difficult to reconcile de Gaulle's vision of a 'European Europe' with France's ability to cope with a reunified Germany.<sup>26</sup> Britain's initiative could encourage and stimulate doubt about de Gaulle's policies, undermining those policies and building support for British

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<sup>21</sup> *ibid.*

<sup>22</sup> *ibid.*; Castle, *Diaries, op.cit.*, p.93, 9 Nov. 1966

<sup>23</sup> PRO PREM13 909, Trend to Wilson, 27 Oct. 1966

<sup>24</sup> In the wider environment, *The Times*, 'British Move Welcomed by EEC Leaders', p.6, 11 Nov. 1966 shows Paris' lukewarm reception of the bid

<sup>25</sup> PRO PREM13 910, Reilly to FO, 1 Dec. 1966; Reilly to FO, tel.856, 14 Nov. 1966

accession. It could be possible that drawing attention to the limitations in de Gaulle's 'European Europe' would precipitate de Gaulle's departure from office. The British could also hope to narrow the field over which de Gaulle could play, perhaps reigning in his future actions against NATO. De Gaulle's age further meant that Britain's accession was not an impossible dream. As one journalist put it: 'The baked meats of de Gaulle's funeral will coldly furnish forth Britain's European marriage tables, and we shall all dance on an obstinate old man's grave'.<sup>27</sup>

The mainstay of Britain's approach was to undermine the pretexts for the 1963 veto. In 1963, de Gaulle had been able to state with justification that Britain was not ready to accept the Treaty of Rome. If Britain could show acceptance of the Treaty and the conditions of membership, de Gaulle would be robbed of the legitimacy for his exclusion of Britain from Europe.<sup>28</sup> He would then be forced to deliver a political veto. A political veto could be expected to bring odium from the Five and from international opinion. Illustrating Britain's acceptance of the Treaty and the conditions of membership was also, importantly, the only way of securing the Five's support for British accession.<sup>29</sup> The consolidation of the Community meant that the Five were unwilling to reconsider the economic principles upon which it was based.

The Prime Minister and the Foreign Secretary displayed a different interpretation of these tactics. Brown genuinely believed that if Britain's case was sound then the Five and Britain would be able to exert enough

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<sup>26</sup> PRO PREM13 897, Palliser to Wright, 21 Oct. 1966

<sup>27</sup> *New Statesman*, Francis Hope, 'Could De Gaulle be Right?', p.34, 13 Jan. 1967

<sup>28</sup> PRO PREM13 910, Reilly to FO, 1 Dec. 1966; Reilly to FO, tel.856, 14 Nov. 1966; Bodleian Library, Reilly Papers, Uncatalogued Memoir, Paris 1966

pressure to convince de Gaulle to give way.<sup>30</sup> This he made clear in preliminary discussions with the Dutch Foreign Minister Joseph Luns before the tour formally began:

de Gaulle's position was different to 1963, as now more French opinion was in favour of British entry and de Gaulle could not take France out of the Community. The Germans, faced with a choice of France and the US would have to choose the US and if against this background the Five showed a completely solid front the French government would have to give way.<sup>31</sup>

In talks with the Italian Foreign Minister Amintore Fanfani, Brown displayed his belief that for political reasons, the Community should compel the French to admit Britain in the short term. Britain would turn away from Europe if rebuffed, with serious consequences for the continent. Only Britain could bring the technological expertise the Community needed:

the six must understand that we are not making sacrifices. We could organise affairs in a different way. He personally thought that that would be the wrong way. Nevertheless, it could be done and would have considerable consequences for the continent. He was not ready to risk a second refusal. The UK was a European power but not a mainland continental power. He had no intention of trying to get members of the six to gang up against each other, he wanted to get in and believed it was in the general interests that the UK should do so. He believed that the contribution that Europe could make to the world would be enormously greater if we were in and Fanfani must understand that it was in the mutual interest of the UK and Italy that we should be in.<sup>32</sup>

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<sup>29</sup> *ibid.*

<sup>30</sup> See also Kaiser, 'The British EEC Applications', *op.cit.*, p.70

<sup>31</sup> PRO PREM13 909, Brown – Luns, 2 Nov. 1966

<sup>32</sup> PRO PREM13 1475, Brown – Fanfani, 3 Jan. 1967

Brown's remarks were irritating to Fanfani. O'Neill intervened to stress that Britain would go as far as possible to accept the provisions of the Treaty and that the British would not play the Five off against the French. Afterwards, the Italians suggested that Brown was setting 'too hot a pace'.<sup>33</sup> It would not be possible to force the French to admit Britain in the short term, mainly because after de Gaulle's departure, the British would be more readily able to accede. Fanfani indicated that: 'if it came to the crunch, they would guess that they would decide the Six should stick together without the UK, in the hope that the UK could come in later. The Five would be encouraged to adopt this line by de Gaulle's age'.<sup>34</sup> Brown's belief that Britain could get in through the support of the Five was seriously misguided, indicative of his overwhelmingly political conception of the Community. Discussing with Fanfani, Brown had shown no sensitivity towards the importance of the economic provisions of the Community or to the Community's spirit.<sup>35</sup>

The extent of Brown's misjudgement was evident as a change in government in Germany in November brought to power the 'Grand Coalition' headed by the Christian Democrat Chancellor Kurt Kiesinger and Social Democrat Foreign Secretary Willy Brandt. Kiesinger was much more in favour of a Franco-German rapprochement than Erhard had been, backed by the Defence Secretary ~~Franz~~ Josef Strauss, who was thought to have dangerous nationalist tendencies.<sup>36</sup> A combination of Kiesinger's political priorities and de Gaulle's tactical exploitation of the newness of the government conspired to lead Kiesinger to assure the General that he would not pressurise de Gaulle

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<sup>33</sup> PRO FCO30 62, Shuckburgh to O'Neill, 9 Jan. 1967

<sup>34</sup> PRO PREM13 1475, Brown – Fanfani, 3 Jan. 1967

<sup>35</sup> *ibid.*

to admit Britain.<sup>37</sup> John Robinson reported that 'Kiesinger had made plain to de Gaulle that he needed French support and the price would be German acquiescence to France's policy on Britain's entry'.<sup>38</sup>

Patrick Reilly's memoirs shed further light on Brown's attitude and mentality. Meeting de Gaulle in Paris before the probe began, the General was impressed by Brown's political case in favour of accession, presumably fuelling the Foreign Secretary's belief in his ability to negotiate Britain's path into Europe.<sup>39</sup> Yet, the records reveal no shift in de Gaulle's attitude, as he said that Britain's extra-European links made her unsuitable for membership and reiterated that: 'The French did not know and they did not see, how it could be possible for Britain to come in'.<sup>40</sup> Following the meeting with de Gaulle, Brown and Reilly clashed as Brown accused Reilly of failing to order him a car at the correct time. Reilly remembered that:

I heard padding steps and Brown came in, with the devil upon him, small, hunched and evil looking. For what seemed an age he abused me. When he was transformed by his devil, the force of his personality and his natural sensitivity combined to give him an extraordinary ability to say the things most likely to hurt his victim, and with devastating effect. Thus he was able to hit me where it hurt most. For I had always prided myself on not being in any way puffed up by my status as Ambassador, on knowing that my enjoyment of my honours and privileges must be brief and transient. I remember that he said to me with scathing contempt 'you call yourself Her Majesty's Ambassador. Your job is simply to see that my car is available when I want it. I do everything that is important here'...I kept my

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<sup>36</sup> Katharina Bohmer, 'Germany and the Second British Application to the EEC, 1966-67', Daddow (ed.), *Wilson, op.cit.*

<sup>37</sup> PRO FCO30 186, Bonn to FO, tel.50, 9 Jan. 1967; PRO PREM13 1475, Bonn to FO, tel.47, 9 Jan. 1967; PRO FCO30 186, Galsworthy to Statham, 6 Jan. 1967

<sup>38</sup> PRO FCO30 186, Brussels to FO, tel.14, 19 Jan. 1967; see also Young, *Britain, op cit.*, p.98

<sup>39</sup> Bodleian Library, Reilly Papers, Uncatalogued Memoir, Paris 1966

<sup>40</sup> PRO PREM13 1475, Brown – De Gaulle, 16 Dec. 1966



temper and said nothing... I was overcome by the horror of the situation, of the unspeakably evil devil in front of me, treating me, his loyal servant and host, in this loathsome way. Over nineteen years later the horror is still with me. Except for Rachel's [Reilly's wife's] death, this was the worst thing that ever happened to me'.<sup>41</sup>

Reilly's vivid recollection does point to a deeper problem Brown found with his Foreign Office staff. His assertion that 'I do everything that is important here' indicated his belief in the conspiracy of the diplomatic world against the Foreign Secretary with little formal education, perpetuating his belief in the 'defeatism' of officials about de Gaulle.<sup>42</sup> The effect of the collapse in relations between Brown and the Embassy was to isolate Brown completely from any advice that the European initiative could not work, as he ordered that there should be no reports showing that de Gaulle would not let Britain in.<sup>43</sup>

Wilson's approach was altogether more ambivalent and complex. He plainly did base his strategy around a deal between himself and General de Gaulle. He explained to Hetherington: 'He would ignore everything [else], he would deal direct with de Gaulle. It would be the crucial part of the European negotiation'.<sup>44</sup> Wilson's thinking was based on the premise that the EEC was a political issue. He also displayed a belief, evident in 1965, that Labour's difference from the Conservatives meant the Labour government was more likely to succeed. The Conservatives had become too preoccupied with economic detail: 'It must be dealt with as a political question... Wilson said

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<sup>41</sup> Bodleian Library, Reilly Papers, Uncatalogued Memoir, George Brown folio

<sup>42</sup> PRO FO371 188346/M10810 458, Brown comments on How to Get into the Common Market and O'Neill to Macle hose, 18 Aug. 1966; Brown, *Memoirs, op.cit.*, pp.127-135, esp. p.132, 134; for the wider belief that the Foreign Office was defeatist, Shore, *Separate, op.cit.*, p.36

<sup>43</sup> Bodleian Library, Reilly Papers, Uncatalogued Memoir, Paris 1966

<sup>44</sup> LSE, Hetherington Papers, 13 25, Meeting with Wilson, 12 Jan. 1967

that he must not on any account get involved in questions of canned meat or grain levies'.<sup>45</sup> Economic negotiation presumably raised numerous points on which de Gaulle could justifiably obstruct; the grander political issues were more straightforward.

As well as his perception that he had a fundamentally different outlook to his Conservative predecessors, Wilson also saw mutual interests between the French and the British in the Community's political organisation. Nassau and the MLF, he argued, had been as unwelcome to the Labour government as they were to de Gaulle. Like de Gaulle, 'he had absolutely refused to look at hardware solutions for Germany'.<sup>46</sup> Similarly, he maintained that his decision to tell de Gaulle in advance of Britain's purchase of American F111 planes had obviated the misunderstandings that clouded Nassau and Rambouillet. It would further be possible for the British and French to make links in helicopter production and in the computer industry. In fact, the French computer industry had been swamped by the US: 'The French computer industry had not only been raped but was now aborted. He was going to see whether we could make a new arrangement'.<sup>47</sup>

The Prime Minister drew links between French and British interests in preventing a supranational Community. The Fouchet Plan, Wilson contended, went too far in building a political union, but 'he intended to talk to de Gaulle about a political Community based on a modified Fouchet Plan'.<sup>48</sup> As the two stable and secure governments in Europe, the French and the British had an interest in dominating Europe together. Wilson's political conception of the

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<sup>45</sup> *ibid.*

<sup>46</sup> *ibid.*

<sup>47</sup> *ibid.*

<sup>48</sup> *ibid.*; PRO PREM13 910, Wilson comment on Paris to FO, tel.873, 18 Nov. 1966

Community was abundantly clear; as he dismissed Britain's position towards the Treaty of Rome in one sentence: 'He would be making a public speech [in Strasbourg], accepting the Treaty of Rome and that sort of thing'.<sup>49</sup> Despite this political outlook and reliance on his diplomatic skills at negotiating with de Gaulle, Wilson's approach was in many ways more realistic than Brown's. Wilson noted also that 'he would do all he could to win de Gaulle round, but the prospects were not too bright'.<sup>50</sup> He reiterated the unlikelihood of success to President Johnson: 'De Gaulle has not changed one iota in his general view of the world or of our own relation with yourselves'.<sup>51</sup> Furthermore, the Germans were unreliable, as Brandt had made a 'squalid deal' with Kiesinger, securing support for Germany's signature to the NPT while agreeing to strengthen the Paris-Bonn axis.<sup>52</sup> With these concerns in mind, Wilson also began to prepare for the long haul to entry in which the British would build support over the longer term, waiting for a time at which de Gaulle departed from the political scene. Before the tour had even begun, Wilson declared that Britain would 'not take no for an answer'.<sup>53</sup>

Thus, Wilson's approach was multi-layered. Consistently hedging his bets, Wilson understood, unlike Brown, that the only way into the Community was via the French. This view illustrated his enduringly political conception of the EEC, a perception increasingly at odds with the opinion of leading officials such as O'Neill. It also showed his belief that the Labour government was intrinsically different to the Conservatives and that their different

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<sup>49</sup> LSE, Hetherington Papers, 13 25, Meeting with Wilson, 12 Jan. 1967. Hetherington adds that 'I think he said'.

<sup>50</sup> *ibid.*

<sup>51</sup> PRO PREM13 910, Wilson to Johnson, 11 Nov. 1966

<sup>52</sup> LSE, Hetherington Papers, 13 25, Meeting with Wilson, 12 Jan. 1967; PRO PREM13 1475, Wilson – Bruce, 10 Jan. 1967

approach could unlock the door to the Community. At the same time, he endorsed the strategy of ‘accepting the Treaty of Rome and that sort of thing’, a strategy that existed alongside and was not incompatible with doing a deal with the General. All at once, Wilson had a main line of attack and a safety net. This was both narrow-minded, as it placed himself centre-stage, and optimistic, although in this he really had little choice. But, it cannot be said, as one commentator has, that he ‘was fully aware’ the initiative would fail.<sup>54</sup> It was not that simple. On one level he did know it, but on another, it was less than relevant as he believed he could find a way around the General.

#### **The Probe in Italy, France and Belgium, January – February 1967**

Wilson and Brown’s tour of the countries of the Six has generally been seen as slightly absurd. Pimlott for instance describes that ‘in the official photographs, de Gaulle towered sombrely over the two modestly proportioned British leaders, as if symbolising the difference in world stature’.<sup>55</sup> Brown’s behaviour contributed to this impression, as he allegedly addressed de Gaulle as ‘Charlie’.<sup>56</sup> Appreciation of the long-term aspect of foreign strategy and the developments made on the probe suggest that within its own rather limited objectives the tour was more successful than has hitherto been realised. It did, however, raise new problems.

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<sup>53</sup> For comments on this PRO FCO30 186, Hancock to O’Neill, 11 Jan. 1967

<sup>54</sup> Kaiser, ‘British EEC Applications’, *op.cit.*, p.68

<sup>55</sup> Pimlott, *Wilson, op.cit.*, p.439

<sup>56</sup> Young, *Blessed Plot, op.cit.*, p.192; Pimlott, *Wilson, op.cit.*, p.439

Rome, deemed a less controversial starting point than Paris, was the first stop on Wilson and Brown's European tour.<sup>57</sup> Wilson began by establishing the political case for Britain's accession.<sup>58</sup> Wilson's ambivalence towards the Community had sparked doubt in Europe as to the sincerity of his objectives<sup>59</sup> and so a principle aim was to show that British objectives were sincere. Meeting with the Italian Prime Minister, Aldo Moro and delegations, Wilson argued:

We didn't want a repeat of 1963 – we were determined to enter if, as we hoped, our essential British and Commonwealth interests could be safeguarded; we meant business. The House of Commons debate on 16 and 17 November was principally remarkable for the wide agreement, from all political parties, that membership of the Communities was a desirable objective and that the decision the government had taken was the right one...The government had a wide measure of support in Parliament and the country at large...and all the EFTA countries welcomed Britain's move as an important step in determining the solution to the question of economic integration.<sup>60</sup>

Determined to counteract de Gaulle's claim to speak for Europe in seeking détente, Wilson's view of enlargement was to embrace the changes to the Community that British and EFTA membership would bring. The Foreign Office advised that during bilateral contact with Eastern European countries, the Western nations should aim to show that there was no conflict between the two objectives of European unity and East-West détente. Strengthening Western Europe through enlargement would enable the Community to

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<sup>57</sup> Young, *Britain, op.cit.*, p.96

<sup>58</sup> For Wilson's account of the Rome talks, Wilson, *Labour, op.cit.*, pp.328-333

<sup>59</sup> Couve had commented that he did not know what the Prime Minister's views were, see PRO CAB134 2705, E(66)11, Britain and Europe, First Secretary and Foreign Secretary, 21 Oct. 1966

exercise its full influence to this effect.<sup>61</sup> Wilson argued: 'the present series of discussions could be of the most far-reaching and historical importance for Europe... we should thereby have begun a major step towards enabling Europe to play an even fuller role in the world'.<sup>62</sup>

The French and the British could be seen as fighting over the principle of whether or not to enlarge the Community, Wilson arguing that in contrast to the French conception, British accession would change and strengthen the EEC. This aspect of Wilson's approach was part of Britain's response to the French challenge to the Atlantic security system. It aimed, as Palliser had noted in October<sup>63</sup>, to show that de Gaulle's vision of a 'European Europe' was not the best way of dealing with German reunification and ultimate détente. As *The Times* reported:

The original aim of the Six was to create a tight little bulwark against communism, a basis for economic expansion and a means of absorbing West Germany into a larger entity. The opening up of Eastern Europe requires bridges not bulwarks. President de Gaulle has reasserted the validity of the nation state and has found some echo in West Germany. Economically, politically and geographically, the Six no longer form a natural unit.<sup>64</sup>

Mindful also of the pressure amongst the Five for the Community's political development, Wilson stressed that the British wanted involvement in European 'political unity'. On the core issue of supranationality, the Italians, Dutch, Belgians and Luxembourgers had pressured for greater commitment to balance Franco-German dominance. Saragat, the Italian Foreign Minister, in

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<sup>60</sup> PRO PREM13 1475, Wilson – Moro and delegations, 16 Jan. 1967, 10am

<sup>61</sup> PRO CAB134 2812, EUR(O)(66)42, Political Implications, Foreign Office, 21 Jan. 1967

<sup>62</sup> PRO PREM13 1475, Wilson – Moro and delegations, 16 Jan. 1967 10am

<sup>63</sup> PRO PREM13 897, Palliser to Wright, 21 Oct. 1966

<sup>64</sup> *The Times*, 'Another Knock on the Door', p.11, 16 Jan. 1967

response to recent indications of a Gaullist revival of interest in political union, had forwarded proposals to institutionalise political discussion in the Community that would confirm commitment to supranationality.<sup>65</sup> Wilson was unwilling to come down on either side of the supranationality debate. Preferring the French pronouncements on the reduction of supranationality, Wilson's inclination had been to attempt to use supranationality as a lure for an Anglo-French connection.<sup>66</sup> In view of the certainty that such a position would undermine the support of the Five, Wilson accepted a considerable watering-down of his position. Eschewing 'political union' for the more neutral 'political unity', Wilson aimed to toe a middle-ground on supranational commitment:

The twentieth century would go down in history as an age in which man had the vision to create a new unity, greater for building on diversity of nation states, so that national characteristics would be enriched by their association in a wider outward-looking unity.<sup>67</sup>

Enlargement, with the resultant 'economies of scale' through access to an expanded market went hand in hand with Wilson's commitment to building a technological community in Europe as a counterweight to American dominance. The enlarged economic and technological base of the Community stood as evidence of the expansion of Europe's political strength:

We should have the potential afforded by a Community of nearly 300m people in Europe, bigger than the American Community, with all

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<sup>65</sup> *ibid.*; PRO CAB134 2812, EUR(O)(66)42, Political Implications, Foreign Office, 21 Jan. 1967

<sup>66</sup> PRO PREM13 910, Wilson comments on Paris to FO, tel.873, 18 Nov. 1966

<sup>67</sup> PRO PREM13 1475, Wilson – Moro and delegations, 16 Jan. 1967, 10am; see PRO CAB134 2812, EUR(O)(66)27, Majority Voting and the Powers of the Commission, Foreign Office, 13 Dec. 1966; PRO CAB134 2812, EUR(O)(66)42, Political Implications, Foreign Office, 21 Jan. 1967

that that meant as regards economic development and technological potential.<sup>68</sup>

Technology clearly had a domestic dimension. The 'white-heat of the technological revolution' had been Wilson's clarion call to unite the party in 1963, embodying the modernising rhetoric of the Labour Party. Focus now on technology could hope to revive those visions and to give Labour's application a different tone to that of the Conservatives'.<sup>69</sup>

It also did reflect defence policies. Aircraft was the major industry in which European efforts were dwarfed by American production and the development of a European market, spurred by existing Anglo-French aircraft projects, could be one way of appealing to de Gaulle.<sup>70</sup> For computers and advanced technological industries, there was ultimate advantage in participating in the enlarged European market. Yet, Wilson was anxious not to embark on specific proposals for a technological community, partly because Britain's technological industries were more highly developed than were those in the Six. Without the promise of access to the wider market, sharing knowledge would be detrimental to Britain's economic interests.<sup>71</sup> Furthermore, Wilson wanted to use technology as bait to get Britain into the EEC, promising the Six access to British know-how only if they agreed to admit Britain. The British also felt that the key to matching US domination was not technology alone, but industrial efficiency. European industry was divided into too many small units and so the problem was how to create larger

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<sup>68</sup> PRO PREM13 1475, Wilson – Moro and delegations, 16 Jan. 1967 10am

<sup>69</sup> Kaiser, 'British EEC Applications', *op.cit.*, p.65

<sup>70</sup> PRO CAB134 2814, EUR(O)(67)13, Military Implications, Defence Secretary, 17 Jan. 1967

<sup>71</sup> PRO CAB134 2814, EUR(O)(67)5, A European Technological Community, Secretaries, 12 Jan. 1967



units that could undertake substantial research and development programmes. Stimulus to the creation of larger units would only be created through enlarging the market.<sup>72</sup>

In Rome, Wilson deliberately played down technology as the Italian proposals for political union included suggestions for joint European collaboration. Specific ideas could embroil Wilson in lengthy discussions as to these proposals and so side-line focus on the membership initiative, or be used as pretext for delay by the French.<sup>73</sup> Aside from technology, Wilson hoped to separate his initiative from the Conservative bid by stressing that Labour would only go into Europe from a position of economic strength: 'we do not wish to weaken the Community; but believe that widening it would strengthen it. The government's decision, unlike 1961, was not being made from a position of economic weakness, but one of strength...In 1967 we would be in surplus'.<sup>74</sup>

As in 1961, the real evidence of Britain's commitment as a good European would come in the 'conditions' of membership. Already, there was ample indication from the Six that lessening emphasis on the prior settlement of conditions was the only way of convincing European opinion that Britain was in earnest and of encouraging support for the application amongst the Five.<sup>75</sup> The advance in Britain's position since 1961 was in the clear statement that Britain could accept all of the Treaty of Rome. Wilson's commitment to the Treaty was equivocal. He told Moro only that Britain was 'prepared to

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<sup>72</sup> PRO PREM13 1850, Trend to Wilson, 1 Nov. 1966

<sup>73</sup> PRO CAB134 2814, EUR(O)(67)5, A European Technological Community, Secretaries, 12 Jan 1967

<sup>74</sup> PRO PREM13 1475, Wilson – Moro and delegations, 16 Jan. 1967, 10am

<sup>75</sup> PRO PREM13 910, Reilly to FO, 1 Dec. 1966; also PRO PREM13 910, Reilly to FO, tel.856, 14 Nov. 1966; PRO PREM13 909, Brown – Luns, 2 Nov. 1966; PRO PREM13 909,

accept the Treaty of Rome subject to the necessary adjustments consequent upon the accession of a new member, and provided that we received satisfaction on the points of difficulty we saw’.

Brown argued that while British membership would require no amendment to the Treaty itself, it would be necessary to work out a protocol of accession. The protocol, an idea suggested by Heath in 1961, indicated that the government continued to envisage guaranteed safeguards or changes in advance of membership. In particular, Brown established that the current system of agricultural finance, confirmed during 1966, would pose an unfair burden.<sup>76</sup> Britain imported £970m of leviable produce compared to Germany, the next biggest importer, who brought in £640m. Combined with the higher food prices in the Community, Britain would face an intolerable balance of payments bill upon entry. Neither minister considered an open-ended renegotiation to be a sufficient safeguard.<sup>77</sup> As well as agricultural arrangements, the government envisaged a special deal for New Zealand, who was peculiarly dependent on the British market for exports of lamb and dairy produce.<sup>78</sup> Britain would also face problems with the rise in the cost of living resulting from the higher price of food imports and with the distortion of domestic agriculture. Wilson also discussed the problems of adopting the Community’s regime of liberalised capital exports. Liberalisation could cause

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Brown – Schroeder – Lahr, 3 Nov. 1966; also PRO FCO30 186, Roberts to FO, tel.157, 23 Jan. 1967; Roberts to FO, tel.155, 23 Jan. 1967

<sup>76</sup> For details of the agreements see PRO FO371 188379/M10840 53, Marjoribanks despatch 9, 17 May 1966; FO371 188381/M10840 120, Marjoribanks despatch 13, 4 Aug. 1966

<sup>77</sup> PRO PREM13 1475, Wilson – Moro, 16 Jan. 1967, 4pm

<sup>78</sup> PRO PREM13 1475, Wilson – Moro and delegations, 17 Jan. 1967, 10am

an outflow of portfolio investment from Britain via the Community to third countries.<sup>79</sup>

Wilson's political arguments had demonstrable impact. Both Fanfani and Moro declared themselves impressed by the sincerity of the British approach.<sup>80</sup> Yet the talks illustrated the enormous gulf between the British and Italian views of the CAP. In July 1966, the Six had finally agreed marketing arrangements and price levels for sugar, fats, oils, beef, veal, milk and rice, as well as extending the marketing system for fruit and vegetables.<sup>81</sup> Italian satisfaction with the deal was marked, as Moro, Fanfani and Ortona stressed the importance to Italy of the 'battle of the oranges' to ensure a fair hearing for horticultural produce.<sup>82</sup> Italy did not benefit wholly from the CAP. Changing Italian consumption patterns through increased urban dwelling meant that Italy was fast becoming a net agricultural importer, especially of meat and dairy, shouldering Italy with a high percentage of payments into the agricultural fund.<sup>83</sup> Heightened competition meant that total agricultural income in Italy had declined and production had shifted. As was predicted in Britain, efficient large-scale producers benefited from higher prices while local livestock farmers lost out.<sup>84</sup> In contrast to the British attitude, the Italians maintained that disadvantages in agriculture could be compensated in other ways. For example, Britain's contribution to the Guarantee Fund of CAP would be offset by savings to the Exchequer because of the phasing out of deficiency payments financed directly by the government. Fanfani stressed that it was

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<sup>79</sup> *ibid.*

<sup>80</sup> *ibid.*; PRO PREM13 1475, Wilson – Moro and delegations, 16 Jan. 1967, 10am

<sup>81</sup> PRO FO371 188381/M10840 120, Marjoribanks despatch 13, 4 Aug. 1966

<sup>82</sup> PRO PREM13 1475, Wilson – Moro and delegations, 17 Jan. 1967, 10am

<sup>83</sup> PRO FO371 188381/M10840 128, Ward to Brown, despatch 37, 26 Sept. 1966

<sup>84</sup> *ibid.*

necessary to think in terms of 'a new equilibrium in the economy as a whole' and the 'overall balance of advantage in terms of resources'. Their attitude indicated the 'cross-sectoral' nature of the Community's bargain, that losses in one sector would be compensated by gains in another.

With this in mind, the Italian delegation stated quite bluntly that it would not be possible to make special arrangements for Britain: 'it would be wrong to upset the present balance of interest of the six (which had been achieved only after considerable negotiation) in order to accommodate the UK's entry'.<sup>85</sup> Their caution was because they thought that Britain would have to put up with the agricultural disadvantages as Italy had done and also that it would be impossible to reopen the Six's hard fought disputes. These arguments were difficult to overcome, implying as the Foreign Office suspected, that Britain would not be able to make real provision for Britain's interests in advance of membership. The question is therefore whether Britain's leaders fully accepted that Britain would be unable to negotiate safeguards. Brown, as has already been shown, did demonstrate insensitivity towards the economic interests of the Five, blinded by the political conception of British entry into the Community to strengthen Europe between the superpowers. Wilson's attitude is harder to pinpoint, but the evidence above would suggest that he was less interested in the economic aspects of membership. Nevertheless, Wilson did tell Cabinet ministers that the Italians had shown no serious abrogation would be possible.<sup>86</sup>

The second visit of the tour, to Paris, was the one where, ostensibly, the initiative would be won or lost. As Wilson told the Cabinet, 'well, Paris

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<sup>85</sup> PRO PREM13 1475, Wilson – Moro and delegations, 17 Jan. 1967, 10am

<sup>86</sup> PRO CAB128 42, CC(67)2<sup>nd</sup>, 19 Jan. 1967

will show'.<sup>87</sup> The Foreign Office steering brief indicated that the objective of the probe in Paris was to build support for the longer term and to make it difficult for de Gaulle to veto: 'avoid giving the General any chance to represent plausibly to the Five and to French public opinion that the UK could not be regarded as an acceptable candidate for entry because she cannot yet subscribe to the basic rules of the club'.<sup>88</sup> The case has also been made that Wilson's diplomatic vanity and Walter Mitty 'Mr. Fix-It' mentality led him into believing he could succeed where all other leaders had failed: 'if only I can deal with this man, I can fix it', as Gore-Booth put it.<sup>89</sup> With this in mind, there existed a certain institutional inertia as to the prospect of a deal with the General, which could well have encouraged Wilson's vanity. Michael Palliser recalled:

I think I always made it clear to Wilson that I was very sceptical of his being able to get General de Gaulle to change his mind. But I do not think that I would ever have told him that there was no hope of success. He was...an inveterate optimist, with great confidence in his own ability to influence others, even as obstinate as he knew the General to be. To have told him categorically that he was completely wrong in his judgement would not have led him to change it; but it would have affected the closeness of our own relationship, which would not have been helpful either to him or to me.<sup>90</sup>

Evidence of this relationship at work can be found in Palliser's advice to the Prime Minister as to the political strategy to be adopted in discussion with the General. Palliser began by stressing that de Gaulle was totally

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<sup>87</sup> Castle, *Diaries*, *op.cit.*, p.107, 19 Jan. 1967

<sup>88</sup> PRO CAB134 2813, EUR(O)(67)12, Steering Brief for Paris, Foreign Office, 16 Jan. 1967

<sup>89</sup> On diplomatic vanity, Crossman, *Diaries*, *op.cit.*, p.87, 22 Oct. 1966; on Walter Mitty, Hennessy, *Prime Minister*, *op.cit.*, pp.286-330, esp. p.302; Gore-Booth, *Truth*, *op.cit.*, p.352

<sup>90</sup> Sir Michael Palliser, Letter to author, 18 Sept. 1999

opposed to British membership of the EEC. The only way of getting in was either to go in stripped of Britain's international position, or to demonstrate convincingly that the political disadvantages of keeping Britain out were more serious than the annoyance of admitting the UK. To this end, Palliser recommended flattering de Gaulle: 'you may find it of value to appeal to de Gaulle's sense of history and his monumental vanity. He has no doubt that he is the greatest Frenchman since Napoleon...To be fair, he is probably right, and wants to go down in history accordingly'. Palliser's strategy was then to convince de Gaulle that he would undermine French and European power by keeping Britain out, as in the long-term, Europe could not prosper without Britain:

You should speak to him about the account he will render to history – he risks going astray: by vetoing the attempt not only to bring France and Britain together more intimately but also to create a really dynamic economic, industrial and no doubt eventually political – European power complex, he irrevocably split the old continent and condemned the countries in it to a permanently declining world status, as compared to current (US and USSR) and future (China and Japan) giants of the world... You need explicit recognition that you and he are talking together as two world statesmen whose primary concern is to argue how, in the longer term, European power and influence are most effectively and constructively to be projected onto the world scene. The alternative to agreement between you – an essential element in which must be acceptance of Britain within the Community – is a growing division and thereby inevitably the permanence of second class status for the countries of Europe – including France.<sup>91</sup>

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<sup>91</sup> PRO PREM13 1475, Palliser to Wilson, 6 Jan. 1967

That Palliser envisaged the appeal of these arguments to more than de Gaulle's 'monumental sense of vanity' is distinctly plausible. Wilson was evidently taken with these suggestions. The Prime Minister wrote:

France and Britain are politically stable. If we give a pledge, we can deliver. Unlike Germany (also Belgium, Luxembourg, the Netherlands and Italy). In a sense, more stable than the US, who are more subject to Congressional pressures. The General and I can sign a Treaty and carry it. LBJ couldn't be certain, (he couldn't pull out of Vietnam if he wanted to). Another bond – can help to unite and develop Africa. Technology widening from aircraft. Though using US for late 60s generally for our main aircraft (forced there by the improvidence of our predecessors), we shall be indissolubly (sic) tied to joint French aircraft interdependence in the 1970s. Nuclear – Nassau we opposed as he did. Killed the MLF on coming into office. Opposed to any collective pooling involving hardware solution.<sup>92</sup>

In this way, Wilson's preconceptions about the Community and belief that it could be possible to find a way around de Gaulle were bolstered by the encouragement of his Private Secretary. For his part, Palliser had to find arguments that were appealing to Wilson, enabling Palliser to sustain a high degree of influence on the Prime Minister.

Wilson's political arguments did in fact seem to impress the General. Wilson started by emphasising Britain's commitment to the Treaty of Rome, provided certain problems could be satisfactorily met. He added to the statement made in Italy, emphasising that once a member, Britain would 'carry out the obligations' of membership and continue to press for Community development. In particular, British ideas for technological co-

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<sup>92</sup> PRO PREM13 1475, Palliser to Wilson and Wilson's comments, 6 Jan. 1967

operation would serve to strengthen the Community. Britain's new-found enthusiasm could partly be explained by the Community's own evolution, flowering into an institution now better suited to Britain's interests:

[the government] were impressed by the way in which there had been a growing spirit of realism in the actual operation of the Community and much more desire to treat it as a living and growing organism - reflecting needs and interests of its members - rather than the formulistic (sic) and rigid institution which some hoped it would become and Britain feared it would become.<sup>93</sup>

The government's enthusiasm for membership owed also to domestic stability. Wilson argued that the Labour Party could well be in power for the next ten or fifteen years and that Britain's trade surplus was historically high and showed the improving state of the British economy since the July deflation. At the time of entry, Britain's economy would be strong and 'the pound sterling should be standing no less firm and high than it was on that day'.<sup>94</sup>

Having set out the case for Britain's genuine will to enter, Wilson moved onto Palliser's political arguments, concentrating chiefly on the technological benefits of British accession. To illustrate independence from the Americans, Wilson showed that the Labour government had resisted the take-over of Britain's computer industry by the US. Britain and France could expand their co-operation in new technologies, particularly aircraft. In this way, the two countries could build up European strength in order to work for peace in Europe:

The task of the great European powers, of France and of Britain, was not to be mere messenger boys between the two great powers.

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<sup>93</sup> PRO PREM13 1476, Wilson - De Gaulle, 24 Jan. 1967, 10am

<sup>94</sup> *ibid*



They had a bigger role to play - and other nations wished them to play it - than merely waiting in the ante-rooms while the two great powers settled everything direct between themselves. That was why France and Britain had to make effective their enormous potential industrial strength by giving that strength a chance to operate on a European and not a national scale, or a series of national scales. Only if France and Britain did this could they exert all that went with industrial strength and independence in terms of Europe's influence in world affairs.<sup>95</sup>

The following day, Wilson wound up the political case by arguing that this could be the last chance for Britain to enter the Community.<sup>96</sup> This position was in line with Palliser's points about the legacy de Gaulle would leave to history, but it also suggested the potential consequences of a Gaullist veto. International opinion would not support de Gaulle if he irrevocably shattered the prospects of European development.

De Gaulle's response indicated Wilson convinced him of Britain's sincerity and determination to enter.<sup>97</sup> One of de Gaulle's delegation, who had spoken to a Dutch source just after the first meeting, reported that de Gaulle had declared himself 'impressed'.<sup>98</sup> Wilson's political approach, de Gaulle told Wilson, stood in real contrast to the attitude of the previous government, who had spoken about economic warfare and hoped the Common Market would fail. He appreciated also Wilson's remarks about independence, commenting that since the war, the British had wanted to retain special ties with the US to the exclusion of all else: 'Churchill had made it clear that unity

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<sup>95</sup> *ibid.*

<sup>96</sup> PRO PREM13 1476, Wilson – De Gaulle and delegations, 25 Jan. 1967, 4.25pm

<sup>97</sup> Bodleian Library, Reilly Papers, Uncatalogued Memoir, Paris 1967

<sup>98</sup> PRO FCO30 168, Robinson to Statham, 27 Jan. 1967

was alright for the Europeans but not for the British'.<sup>99</sup> Couve de Murville, who had formerly maintained that Britain's position on agriculture prevented her accession, said that 'political questions overshadowed economic areas'.<sup>100</sup>

De Gaulle then stated that he:

had the impression that England now wished to moor itself alongside the continent and was prepared in principle to pledge itself to rule which would involve it in definite links with the Community. His impression was that England was ready to detach a bit from the US, enabling it to become a European country.<sup>101</sup>

In 1963, de Gaulle had maintained that Britain had taken 'the first steps down the path which one day, perhaps, will lead it to make fast to the continent'.<sup>102</sup> That 1967 could be the day of Britain's arrival was met with real delight in the Foreign Office. O'Neill reported that he was 'to some extent elated' and that he regarded de Gaulle's comment as the most significant result of the Paris visit, a sentiment with which Wilson indicated agreement.<sup>103</sup> Brown was willing to go further in his assessment of the impact of the visit, confirming his conviction that Britain and the Five could force the French to submit. Writing in personal terms to Brandt, Brown also showed his faith in his relations with the German Foreign Secretary:

De Gaulle has accepted our attitude has changed, we mean business and are now about as European as everyone else. This has not made him any more anxious to have us in, but he realises that it does make it much more difficult

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<sup>99</sup> PRO PREM13 1476, Wilson – De Gaulle, 24 Jan. 1967, 10am; Wilson, *Labour*, *op cit.*, p.336

<sup>100</sup> PRO PREM13 1476, Wilson – De Gaulle and delegations, 25 Jan. 1967, 4.25pm; on Couve's former view, see PRO FO371 189127/RF1053/38, Couve – Wilson, 8 July 1966; PRO PREM13 906, Reilly to FO, tel.481, 11 June 1966

<sup>101</sup> PRO PREM13 1476, Wilson – De Gaulle and delegations, 25 Jan. 1967, 4.25pm

<sup>102</sup> Camps, *European*, *op.cit.*, p.476

<sup>103</sup> PRO PREM13 1477, O'Neill to Pilcher, 3 Feb. 1967; PRO PREM13 1476, Wilson comments on Vienna tel. 29, 1 Feb. 1967

to keep us out and that the old French arguments will not suffice... The old arguments about US connections and defence were not pressed... It is significant that de Gaulle should have shown signs of moving to his second line of defence [sterling] at this first confrontation. I remain convinced, as I have often told you that, provided we all show a solid front, he will acquiesce in the end.<sup>104</sup>

Wilson was more dispassionate in response. He did accept that he had made some headway – ‘de Gaulle is scratching his head and trying to figure out how far he can trust you’<sup>105</sup> – but Palliser commented that de Gaulle did not accept a change in British attitude. The French leader could not fully believe Wilson’s claims of independence from the USA.<sup>106</sup> Nor did Palliser presume that de Gaulle was in retreat. Palliser wrote on Brown’s note: ‘The general has not, in his own view, moved to a second line of defence - he is indulging in a diversionary manoeuvre on our flanks’.<sup>107</sup>

De Gaulle’s reaction to Wilson’s political arguments was far from whole-hearted. Reasonably enough, de Gaulle suspected that Wilson’s explanation of independence from the USA differed radically from France’s. Economic unity in Europe, de Gaulle stressed, would count for nothing unless Europe achieved ‘total independence that he sought from the United States’.<sup>108</sup> Wilson used Labour’s opposition to the Nassau agreement to illustrate Labour’s distance from America. Just because Britain purchased American Polaris, it did not mean that Britain was an American satellite: it was the same as the French buying aircraft from the US for refuelling the *force de frappe*.

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<sup>104</sup> PRO PREM13 1476, Brown to Brandt, tel.297, 26 Jan. 1967

<sup>105</sup> PRO PREM13 1476, Palliser to Wilson, 26 Jan. 1967; Palliser paraphrased Wilson’s comments to him

<sup>106</sup> *ibid.*

<sup>107</sup> *ibid.*

By the mid-1970s, the major aircraft in Britain would be the Anglo-French plane.<sup>109</sup> It was still the case that Britain was more tied to the US than were the French in the sharing of nuclear information and intelligence, as well as in NATO and international financial policies.<sup>110</sup> It would not be possible for a British Prime Minister seriously to pretend otherwise, without a genuinely radical overhaul of the bases of British foreign policy. In addition, de Gaulle appeared unconvinced by Wilson's technological arguments, appreciating the need for Anglo-French co-operation, but arguing that co-operation could take place whether or not Britain was a member of the EEC. Wilson's counter-argument that it was necessary to be part of the same market in order to reap the full benefits of technological co-operation did not invoke any comment.<sup>111</sup>

Nor did Britain's rendering of the agricultural pitfalls go far enough to cut the ground from under de Gaulle's feet. Wilson established, in a change of tone, that 'perhaps the CAP was not as problematical as first thought'. There was cautious optimism, for instance, in the fact that the tendency of world prices was to rise, so perhaps closing the gap with Community prices.<sup>112</sup> Convergence of interests was potentially envisaged between the British and the French on the question of cereal prices. Realising that the French wanted lower cereal prices than the Germans, Wilson argued that the stimulation to production in Britain through higher prices would increase Britain's cereals yield from 13m to 20m tons. Such a huge increase would directly compete with French produce in the markets of the enlarged Community.<sup>113</sup> It would be

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<sup>108</sup> PRO PREM13 1476, Wilson – De Gaulle, 24 Jan. 1967, 10am

<sup>109</sup> *ibid.*

<sup>110</sup> Young, *Britain, op.cit.*, p.97

<sup>111</sup> PRO PREM13 1476, Wilson – De Gaulle, 24 Jan. 1967, 10am

<sup>112</sup> PRO PREM13 1476, Wilson – De Gaulle and delegations, 25 Jan. 1967, 4.25pm

<sup>113</sup> PRO PREM13 1476, Wilson, Brown – Pompidou, de Murville, 25 Jan. 3pm

more efficient to reduce cereal prices and to encourage livestock and dairy farming in Britain.

Although de Gaulle was reported to be impressed that Britain produced 13m tons of cereals, he did not appear moved by this argument.<sup>114</sup> As Healey commented, 'perhaps he was bored'.<sup>115</sup> Britain's principal difficulty in accepting the CAP was the issue of levy payments into the agricultural fund. In a flagrant indication that Brown was confident of getting into the Community and securing safeguards, Brown told Brandt he believed agriculture was negotiable.<sup>116</sup> Both Brown and Wilson argued that the burden imposed on Britain by the payment of levies would be inequitable. Wilson suggested also that the accession of a new member would upset the balance of receipts into the fund and so would require renegotiation anyway.<sup>117</sup> That Britain would require safeguards before accession gave de Gaulle the leeway to reissue the alternatives to membership proposed the previous July. He suggested Britain study either creating 'something entirely new' or associating with the Community.<sup>118</sup>

This argument, that Britain would require 'something new and different', went right to the heart of the Anglo-French battle over the future shape of Western Europe and thus Europe as a whole. De Gaulle argued that enlargement would 'profoundly change the practical application of the Treaty' as the Community grew from six to up to thirteen.<sup>119</sup> Wilson saw that this argument partly reflected de Gaulle's desire to continue to dominate the

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<sup>114</sup> PRO PREM13 1476, Wilson – de Gaulle, 25 Jan.4.15pm

<sup>115</sup> Jay, *Change, op.cit.*, p.371

<sup>116</sup> PRO PREM13 1476, Brown to Brandt, tel.297, 26 Jan. 1967

<sup>117</sup> PRO PREM13 1476, Wilson – De Gaulle and delegations, 25 Jan. 1967, 4.25pm; Wilson, Brown – Pompidou, de Murville, 25 Jan. 3pm; Wilson – de Gaulle, 25 Jan. 1967, 4.15pm

<sup>118</sup> PRO PREM13 1477, Paris to FO, tel.146, 7 Feb. 1967

Common Market: 'He [Wilson] said that de Gaulle appeared to be trying to say to him, as things were today he could count on sitting in the grandfather rocking chair in command of the Common Market'.<sup>120</sup> Wilson continued with somewhat vulgar imagery, illustrative of his conception of the power relations in the Community: 'Harold said that from de Gaulle's point of view this would bring in people who would have runny noses and wet pants and would have to be trained. It would upset what had already been built'.<sup>121</sup>

The argument about enlargement also reflected the competing Cold War visions of the Gaullist 'European Europe' and the Atlanticist Western organisation.<sup>122</sup> Further indication of how Britain's view of an enlarged Community could counter-act the Gaullist idea came in discussion between two Foreign Office officials during April. Christopher Lush in the Western Department commented that enlargement could act counter to the ideas of détente by appearing to consolidate Western European capitalism against Eastern European communism.<sup>123</sup> Enlargement could thus enforce the very divide in Europe that détente policy aimed to blur. But enlargement could also be used to show Europe as a bridge to the East, rather than as a fortress against it: 'our own ideas for détente – based on an enlarged Community in which the EFTA neutrals have a part to play – may be less mystical than [de Gaulle's] but it is not unreasonable to hope that they may have more appeal not only for the Five but also for the Russians'.<sup>124</sup> Containing Germany within the

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<sup>119</sup> PRO PREM13 1476, Wilson – De Gaulle, 24 Jan. 1967, 10am

<sup>120</sup> LSE, Hetherington Papers, 13 22, Meeting with Wilson, 19 Feb. 1967

<sup>121</sup> *ibid.*

<sup>122</sup> *The Times*, 'Another Knock on the door', p.11, 16 Jan. 1967; 'Unity Pledge by Mr. Wilson', p.1, 24 Jan. 1967

<sup>123</sup> PRO FCO33 44, Lush to Simpson-Orlebar, 24 Apr. 1967

<sup>124</sup> PRO FCO33 44, Simpson-Orlebar comments, 24 Apr. 1967

framework of the Atlantic Alliance would both allay the Five's and Soviet fears of German dominance.

In practical terms, 'something new and different' was the central argument used by de Gaulle to show the Five that Britain could want to reopen the agreements already reached in the Community and thus could unravel the basis of the Six's hard-fought solidarity.<sup>125</sup> Sudden multiplication of Community members would raise difficult issues, such as the degree of majority voting used in the Council of Ministers. Reopening such disputes would be entirely unattractive to the Five.<sup>126</sup> All the Five were anxious to sustain progress to economic union. British and EFTA accession fostered doubts as to the enlarged Community's commitment to its original goals.<sup>127</sup> Couve was able to tell the Dutch, for instance, that Britain wanted to change fundamentally the agricultural system.<sup>128</sup> The Belgian Prime Minister indicated that he did not want to abolish the existing settlements. The Head of the Belgian European Integration Department feared that if Britain entered, the Belgians, who had calculated that per capita they paid the most into the agricultural fund, would be forced to increase their subscription.<sup>129</sup> The battle for British accession went wider than agricultural questions: it was whether or not enlargement in principle was acceptable for the Community of the Six.

De Gaulle's 'second line of defence' – sterling – was in many ways harder to refute than his initial arguments about agriculture.<sup>130</sup> Sterling, which

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<sup>125</sup> PRO FCO30 187, Galsworthy to Statham, 26 Jan. 1967

<sup>126</sup> PRO PREM13 1477, Paris to FO, tel.146, 7 Feb. 1967

<sup>127</sup> PRO FCO30 168, Reilly to FO, tel.154, 9 Feb. 1967

<sup>128</sup> PRO FCO30 67, Robinson to Statham, 3 Feb. 1967

<sup>129</sup> PRO FCO30 68, Barclay to FO, tel.68, 26 Jan. 1967

<sup>130</sup> PRO FO371 188366/M10829 51 G, O'Neill to Gore-Booth, 30 Nov. 1966

had not featured during the Brussels negotiations<sup>131</sup>, was pushed centre-stage because Britain's balance of payments weakness provided an easy target for France's broader political attack on the reserve role of both sterling and the dollar. The French had been deliberately buying up gold in order to put pressure on both reserve currencies. De Gaulle was able to use Britain's problems with sterling to tap into German fears about Britain's potential use of Article 108 of the Treaty of Rome. Article 108 provided assistance for a member of the Community in balance of payments difficulties. Its aim was to avoid devaluation in the EEC, as devaluation would disrupt the pricing systems agreed between the Six. If Britain entered with a poor balance, she could demand help from Article 108, so forcing Germany, as the Community's wealthiest member, to bankroll Britain's world commitments.<sup>132</sup> Use of the Article also raised questions as to whether or not a country owning a reserve currency could become a member of the Community. The Article had been written up at time of non-convertibility and had not had a reserve currency in mind. Again, the British could insist on help to finance the holdings of sterling, using Community money to manage or to run down the sterling balances.<sup>133</sup> At a time of such uncertainty as to Britain's future economic strength, allowing Britain access to Article 108 suggested a serious risk to the Community's system.

France's arguments about sterling were extremely difficult for the British to refute. It was important to avoid reopening the serious Cabinet splits over devaluation. Wilson also had regard to the potential effects in the markets

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<sup>131</sup> Schenk, 'The UK, the Sterling Area and the EEC', *op cit.*, pp.123-137

<sup>132</sup> PRO FCO30 187, German Ministry of Finance Note on Monetary Implications, 31 Jan. 1967; PRO CAB134 2812, EUR(O)(66)37, Sterling, Treasury, 5 Jan. 1967



and wanted to avoid any impression that the French thought Britain should devalue. He told the Cabinet that Pompidou had said it was the right decision to avoid devaluation the previous summer.<sup>134</sup> Desperate to refute any indication that the British economy was weak, Wilson's main argument in Paris was to emphasise that Britain would only enter with the strong balance of payments that would result from the deflationary measures.<sup>135</sup>

Britain's position as a reserve currency was complicated by the current discussions in the IMF and the G10 as to the future of world liquidity. The Treasury was looking for a way to alleviate the difficulties of managing the sterling balances and recognised that support for a 'European solution' could encourage the EEC's willingness to admit Britain.<sup>136</sup> The British did not actually want to run down the sterling balances, as holders of sterling would object. Still less did they want to be forced by the French into hasty choices between a world and a European role. In the international liquidity talks, Britain tended to side with the US instead of the Europeans: 'in general, we prefer to think in world terms'.<sup>137</sup> Wilson's strategy was to emphasise that the assets of sterling holdings exceeded the liabilities. At the same time, he wanted to pay lip-service to French ideas. The Debré and Rueff plans aimed to pay off the holders of sterling through raising loans and were not acceptable to Britain as they envisaged the end of sterling's reserve role.<sup>138</sup> The French did not appear swayed by Wilson's tentative suggestion that Britain could study French ideas. Pompidou said that sterling's position at the centre of an

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<sup>133</sup> See discussion with the Dutch, PRO PREM13 1477, Wilson – Zijlastra and delegations, 27 Feb. 1967, 4pm

<sup>134</sup> PRO CAB128 42, CC(67)3<sup>rd</sup>, 26 Jan. 1967

<sup>135</sup> PRO PREM13 1476, Wilson, Brown – Pompidou, de Murville, 25 Jan. 1967, 3.30pm

<sup>136</sup> PRO CAB134 2814, EUR(O)(66)37, International Role of Sterling, Treasury, 5 Jan. 1967

<sup>137</sup> *ibid.*

international system meant that Britain had heavy extra-European commitments that would not be compatible with the Six.<sup>139</sup> German doubts about Article 108 meant that the French were on sound ground in resisting British accession on this issue. Reilly advised that Britain would have to spell out more clearly exactly how Britain intended to 'discuss sterling' in a European context.<sup>140</sup>

Despite sterling, the Paris visit was a success. Commentary in the press stressed that de Gaulle had accepted that Britain 'means business'.<sup>141</sup> To the Cabinet, Wilson established that de Gaulle was not in favour of British accession and did not want to disturb the 'cosy little enclave' of the Six'.<sup>142</sup> The impression gained by other ministers was that this was a turning point for Wilson. As Crossman reported: 'George and Harold both thought that they had begun the major job of charming the General...It's my impression that whereas George is unchanged, Harold comes back from Paris for the first time determined to enter the Market'.<sup>143</sup> Castle added: 'George and Harold were clearly pleased with themselves...They both glowed with self-satisfaction'.<sup>144</sup>

That Wilson was taken with his role as European statesman was evident during the visit to Brussels. Pierre Harmel, the Belgian Foreign Minister, had suggested a compromise over political union that interested members of the Six could team up with Britain to reach agreement on political issues. At this time, the Six were preparing for a summit in Rome at which to discuss political union and discussions with the British could proceed in

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<sup>138</sup> *ibid.*; PRO PREM13 1476, Wilson, Brown – Pompidou, de Murville, 25 Jan. 1967, 3.30pm

<sup>139</sup> *ibid.*

<sup>140</sup> PRO PREM13 1477, Reilly to FO, tel.154, 9 Feb. 1967

<sup>141</sup> *The Times*, 'Talks end in Optimism', p.1, 26 Jan. 1967

<sup>142</sup> Castle, *Diaries, op.cit.*, p.109, 26 Jan. 1967; PRO CAB128 42, CC(67)3<sup>rd</sup>, 26 Jan. 1967

<sup>143</sup> Crossman, *Diaries, vol.2, op.cit.*, p.212, 26 Jan. 1967

parallel with this.<sup>145</sup> The Belgians were particularly concerned as to the political future of Europe, wanting to move to political union, but anxious also to secure Britain's involvement. The reason for the Belgians' concern was their particular interest in avoiding a Franco-German split or French defection. They saw the Community as an essential balance between France, Germany and ultimately Britain. The collapse of the Community if France left could lead Germany to nationalism and expose Belgium to her much more powerful neighbour.<sup>146</sup> The British were anxious not to become embroiled in detailed discussions that could deflect attention from the purpose of the probe and so aimed to head off Harmel's suggestions without appearing ungrateful.<sup>147</sup> Wilson stepped up his European rhetoric to meet this goal, stating that Britain would be interested in the future development of the Community:

he liked to regard the Communities as having built a railway line towards their objective on which had been set a train. An extension of the Community meant more coaches and a more powerful engine. It did not mean disturbing either the track which had been laid down or altering the signals.<sup>148</sup>

In order to flesh out possible ways in which Britain could work for a 'European solution' to the sterling balances, Wilson also made a statement that surely stretched the Cabinet's 9 November agreement to its limits. A 'European solution' remained a wild-card option, as it repudiated the need for American support and also because it was not at all clear that the EEC would

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<sup>144</sup> Castle, *Diaries, op.cit.*, p.109, 26 Jan. 1967

<sup>145</sup> *ibid.*

<sup>146</sup> PRO PREM13 1476, Wilson – Van Den Boeynants and delegations, 31 Jan. 1967, after dinner; Wilson, *Labour, op cit.*, pp.341-2

<sup>147</sup> PRO CAB134 2813, EUR(O)(67)16, Harmel's Proposal on Non-Divergence of Policies between the UK and the Community, Foreign Office, 27 Jan. 1967; PRO PREM13 1476, Wilson – Van Den Boeynants and delegations, 1 Feb. 1967, 6pm

<sup>148</sup> PRO PREM13 1476, Wilson – Van Den Boeynants and delegations, 1 Feb. 1967, 9.30am

be interested.<sup>149</sup> But ideas for a single currency had been discussed in the Treasury at the Chancellor's suggestion. His economic adviser Nicholas Kaldor indicated support for a single currency as the only way of solving the problems of the sterling balances in a European context.<sup>150</sup> Wilson stated to the Belgians:

A single currency would not be ruled out by the British government. Indeed it could be more acceptable to Britain than to certain present members of the Community. It was possible that a way could be found of combining a single European currency with funding the sterling balances. This could put an end to their future for the rest of the twentieth century.<sup>151</sup>

The Belgian Prime Minister Van Den Boeynants' reaction was lukewarm, commenting that the Six would have to call in the experts.<sup>152</sup>

Adopting a more 'pro-European' tone could not replace real evidence of Britain's economic compatibility with Community system. On the crucial test-bed of the 'conditions' of membership, Wilson and Brown were able to appear a little more forthcoming. Brown argued that, like the Treaty, the CAP was not an obstacle in itself and that Britain only wanted to secure safeguards in the manner that the Six had in negotiating the Treaty in the first place.<sup>153</sup> For payments into the agricultural fund, Brown insisted on safeguards in advance of membership. The problem for the Belgians, as had also been illustrated by the Italian visit, was that the consolidation of the Community's economic union meant the Five were reluctant to grant concessions.

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<sup>149</sup> Alec Cairncross, *Managing the Economy in the 1960s: A Treasury Perspective* (London: Macmillan, 1996), p.169, PRO T312 1890, LP Thompson-McCausland to Rickett, 18 Jan. 1967; Balogh to Wilson, 13 Jan. 1967

<sup>150</sup> PRO T312 1890, Kaldor to Baldwin, 12 Jan. 1967

<sup>151</sup> PRO PREM13 1476, Wilson – Van Den Boeynants and delegations, 1 Feb. 1967, 4pm

<sup>152</sup> *ibid.*

Community members had all made sacrifices and fought hard to settle the agricultural details of the CAP.

What Britain failed to appreciate, Harmel indicated, was the cross-sectoral nature of the Community's appeal. Advantages in other industrial sectors would offset the disadvantage to British agriculture.<sup>154</sup> In addition, the work done on the CAP over the years meant that the CAP embodied a Community philosophy involving Community preferences, free movement of goods and Community responsibility for marketing surplus agricultural produce. 'He thought it would be hard to fit new ideas into a framework which had already been so fully elaborated'.<sup>155</sup> Harmel also thought that the calculations that Britain's balance of payments would suffer a loss of £175-250m per year were excessive. The sum was based on the continuation of present trends and so did not take into account the changes to trade imposed by Community membership itself. Renaat Van Elkslande, the Belgian Minister for European Affairs, argued that surely given the abolition of deficiency grants in Britain, Britain would gain as well as lose from the CAP.<sup>156</sup>

Whilst in Brussels, Wilson and Brown also talked with the European Commission. Unlike the first negotiations, when the Commission had felt that enlargement would be too early, the Community had met many of its difficulties concerning agriculture. The member states did not want to reopen the enormous political disputes, but the Commission was in favour of enlargement in principle.<sup>157</sup> Robert Marjolin, the French Vice-President and Sicco Mansholt, the leading figure behind the CAP, both agreed with the

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<sup>153</sup> PRO PREM13 1476, Wilson – Van Den Boeynants and delegations, 1 Feb. 1967, 9.30am

<sup>154</sup> *ibid.*

<sup>155</sup> *ibid.*

<sup>156</sup> *ibid.*

principle that the Community should be enlarged beyond its Six-power status. Marjolin felt that the alternative of a free trade area would prove a worse option.<sup>158</sup> Some Commissioners, however, continued to be wary about the changes to the Community that enlargement was bound to bring.

Enlarging the Community could dilute the current institutions. Jean Rey, the Belgian Vice-President who would shortly take over from Hallstein as President, stated that there would be considerable problems in immediate negotiation and stressed the importance of the continuation of majority voting. Marjolin added there was a risk that once the floodgates to enlargement opened, the Community would transform into an institution more like the intergovernmental Organisation for Economic Co-operation and Development.<sup>159</sup> Mansholt showed real will to begin to tackle the problems of British accession, largely for political reasons, but also because the principles of the CAP were in place.<sup>160</sup> His vast knowledge of the CAP did mean that he was anxious to preserve it, but he had recognised that the existing arrangements for levy payments were suitable only for the Community of Six. Provided Britain was disposed to accept the principles of the system, Mansholt indicated that Britain should participate in the 1969 renegotiation, whether or not Britain was a member.<sup>161</sup> Commentary in the press indicated that while Mansholt supported a short negotiation of two or three months, Rey was much more reluctant, preferring to see accession over three years.<sup>162</sup> The impression

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<sup>157</sup> N. Piers Ludlow, 'The EC Reaction', Daddow (ed.), *Wilson, op.cit.*

<sup>158</sup> PRO PREM13 1476, Wilson – Rey, Mansholt, Marjolin, Van Der Groot, Herbst, Chatenet, 1 Feb. 1967, 2.30pm

<sup>159</sup> *ibid.*

<sup>160</sup> On Mansholt's views, PRO PREM13 1475, Marjoribanks to O'Neill, 5 Dec. 1966; PRO FCO30 69, Personality Notes, O'Neill, 31 Jan. 1967

<sup>161</sup> PRO PREM13 1476, Wilson – Rey, Mansholt, Marjolin, Van Der Groot, Herbst, Chatenet, 1 Feb. 1967, 2.30pm

<sup>162</sup> *The Times*, 'Belgium Pledges help on Market entry', p.1, 1 Feb. 1967

of the meeting with the Commissioners was that the existing arrangements of the Six remained of higher priority than immediate enlargement. Despite Brown and Wilson's exhortation that a second rebuff would make it impossible to reapply, the Commissioners, particularly Rey, stressed that it would be difficult to begin negotiations straight away.<sup>163</sup>

### **The Probe in Germany, the Netherlands and Luxembourg, February 1967**

Wilson and Brown were met in Bonn by an atmosphere of some hostility.<sup>164</sup> Unfortunate timing meant that Wilson had just concluded an unsuccessful peace mission with the Soviet Premier Kosygin.<sup>165</sup> Having failed to mediate a truce in Vietnam, Wilson had also discussed a potential non-proliferation treaty (NPT) with the Soviet leader, believing the Russians to be keen to embark on a deal. Anglo-Soviet rapprochement over non-proliferation awakened traditional fears in Germany of their exclusion from the making of a treaty that enshrined their subordinate nuclear status. Brown had mistakenly suggested that Britain might recognise the Oder-Neisse line as the frontier between Germany and Poland, implying support for the permanent division of Germany.<sup>166</sup>

To add to the malcontent atmosphere, tripartite talks on offset payments were proceeding badly. The German Minister of Defence, *Franz Josef*

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<sup>163</sup> PRO PREM13 1476, Wilson – Rey, Mansholt, Marjolin, Van Der Groot, Herbst, Chatenet, 1 Feb. 1967, 2.30pm

<sup>164</sup> *The Times*, 'Germans upset by Mr. Brown', p.1, 15 Feb. 1967; PRO FCO30/73, Roberts to Brown, 24 Feb. 1967; PRO PREM13 1477, Roberts to FO, tel.319, 17 Feb. 1967

<sup>165</sup> Wilson, *Labour, op.cit.*, pp.345-366

<sup>166</sup> *The Times*, 'Germans upset by Mr. Brown', p.1, 15 Feb. 1967

Strauss, had indicated that he would recommend to the German Cabinet that no further offset payments should be made after the termination of the current agreement in 1967. Any offset payments in 1968 should be very small.<sup>167</sup> The British had subsequently decided to continue to plan for the withdrawal of two brigades and four RAF squadrons after the 1 July, although they recognised the need to gain assurance from NATO and the WEU.<sup>168</sup> The Western Department recommended that Britain should avoid talk of offset during the probe.<sup>169</sup> London also knew that Kiesinger had no intention of standing up to the French, having assured de Gaulle in January he would not press the General on this point and having agreed to Franco-German talks following the British tour. London's objectives were to make sure the Germans continued to state publicly that British membership was in Germany's national interest.<sup>170</sup> These were limited aims, yet essential in ensuring the continued public impression that all leaders supported Britain's initiative except the General.

If there was a point of failure on the probe, then it was in Bonn and not in Paris. Overwhelmingly, the reason for the failure to garner more ardent German support was Kiesinger's political attitude towards the French and tactical attitude towards de Gaulle. Brown believed that staunch German support could force de Gaulle to give way.<sup>171</sup> Some in the German administration, most notably Rolf Lahr, Minister of State in the Auswärtiges

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<sup>167</sup> PRO CAB128 42, CC(67)3<sup>rd</sup>, 26 Jan. 1967

<sup>168</sup> PRO CAB148 30, OPD(67)7<sup>th</sup>, 10 Feb. 1967

<sup>169</sup> PRO FCO30 72, Campbell memorandum, 7 Feb. 1967

<sup>170</sup> PRO CAB134 2815, EUR(O)(67)25, Steering Brief for Bonn, Foreign Office, 9 Feb. 1967

<sup>171</sup> PRO PREM13 1476, Brown to Brandt, tel.297, 26 Jan. 1967



Amt appeared to support this view.<sup>172</sup> Von Stempel, Head of the European Integration Department, who worked closely with Lahr, suggested the Germans could threaten to withhold funding for the CAP after 1970 if the French refused to admit Britain.<sup>173</sup> Brown's belief was based on his perceived understanding with Willy Brandt, the Social Democrat Foreign Secretary. Brandt remembered Brown told him: 'Willy, you must get us in, so that we can take the lead'.<sup>174</sup> Brown's arrogant attitude was confirmed in an earlier letter to Brandt, in which he had shown his belief that Britain could get in and that 'agriculture is negotiable'.<sup>175</sup>

Brown's belief that Brandt could help was based partly on both leaders' left-wing leanings. There was also a deeper coalition of opinion between Brown and Brandt, based on Brandt's support for 'Ostpolitik', a policy of greater openness towards the East. In concert with British policy and for the first time since the division of Germany, Brandt envisaged steps to détente without prior agreement on reunification.<sup>176</sup> This position could potentially shift the absolute deadlock between Russia and Germany, the former insisting on the 'two Germanies', the latter demanding reunification. That the change in German thinking was highly beneficial to Britain's long-term aims in seeking an easement in East-West tension had been noted in the Foreign Office.<sup>177</sup> Brown seemed to equate Brandt's vision for East-West rapprochement with his own. As Brown argued in discussions in Bonn, British

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<sup>172</sup> On Lahr, PRO FCO30 186, Roberts to Hancock, 3 Jan. 1967; PRO PREM13 1475, Gladwyn-Blankenhorn, 17 Jan. 1967

<sup>173</sup> PRO FCO30 73, Roberts to O'Neill, 18 Feb. 1967

<sup>174</sup> Willy Brandt, *My Life in Politics*, translated by Anthea Bell (London: Penguin, 1993), p.420

<sup>175</sup> PRO PREM13 1476, Brown to Brandt, 26 Jan. 1967

<sup>176</sup> PRO FCO30 72, Campbell memorandum, 7 Feb. 1967

<sup>177</sup> *ibid.*

membership of the EEC would be the best way of overcoming German doubts as to non-proliferation:

Britain could best encourage those who were worried on this count by entering the EEC. If Britain did so, people's belief in the ability of Europe to stand up for itself would be strengthened. That was why our present initiative was so important and could not be allowed to fail or to suffer long delay.<sup>178</sup>

Tactically, Wilson wanted to guard against pushing the Germans too hard to stand up to the French. Wilson explained that Kiesinger's tactics with the General were 'softly, softly catchee General'.<sup>179</sup> A Franco-German breach was certainly not in Britain's interests, as the Foreign Office warned.<sup>180</sup> Pushing too hard could also jeopardise any support; as after all, why should the Germans court bad faith with the French if the British stood to one side and tried to woo the General?<sup>181</sup> Perhaps the best expression of the balance Wilson sought came in a telegram from the British Ambassador in Bonn, Sir Frank Roberts. While Kiesinger reportedly said he wanted to 'keep the door open' for British entry, Brandt and Strauss had urged that they should 'force the door open'.<sup>182</sup> Nobody seriously wanted to break the Community up to achieve British membership, but while keeping the door open would wait for 'time and circumstance' to play its inevitable role, forcing it open would hope to hasten the day of British entry.

In addition, Anglo-German concert over reunification and détente was too large a prize to jeopardise over the question of British entry in the short-

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<sup>178</sup> PRO PREM13 1477, Wilson, Brown – Kiesinger, Brandt, 16 Feb. 1967, 10am

<sup>179</sup> Wilson, *Labour, op.cit.*, p.368

<sup>180</sup> PRO FCO30 72, Campbell memorandum, 7 Feb. 1967

<sup>181</sup> PRO PREM13 1477, Roberts to FO, tel.328, 18 Feb. 1967; Roberts to FO, tel.348, 23 Feb. 1967

term.<sup>183</sup> The potential for playing one issue off another was absolutely clear. Kiesinger seemed to try to exert from Britain an assurance that they 'understood the anxieties of the non-nuclear powers' in the creation of a non-proliferation treaty, likening it to Wilson's desire for him to 'do all in their power to bring about Britain's entry to the EEC'.<sup>184</sup> In addition, hard bargaining over offset could be undermined if Britain were compelled to make concessions in order to get into Europe.<sup>185</sup>

The reason for the German reluctance to pressure the French was in part that there was very little economic stimulus for them to do so. German industry undoubtedly supported British and EFTA accession into the EEC and had done since the beginning of discussions on European integration.<sup>186</sup> Yet the BDI would not force the government to break with the French, as its President, Fritz Berg, argued that the continued development of the Common Market was more important than enlargement in the short term. In particular, industry wanted to see the fusion of the executives of the three Communities in order to move towards a common energy policy.<sup>187</sup> Wilson did threaten during the talks that there could arise a spirit of competitiveness between the trading units of the EEC and EFTA if Britain's bid failed: 'he would not use the term trade war'. Brandt's response was to talk about fusion and the forthcoming Rome Summit between the Six at which political union would be

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<sup>182</sup> PRO PREM13 1477, Roberts to Brown, 18 Feb. 1967

<sup>183</sup> PRO FCO30 72, Campbell memorandum, 7 Feb. 1967

<sup>184</sup> PRO PREM13 1477, Wilson, Brown – Kiesinger, Brandt, 16 Feb. 1967, 10am

<sup>185</sup> PRO FCO30 82, O'Neill to Macle hose, 23 Feb. 1967

<sup>186</sup> PRO FCO30 187, Menne to Kiesinger, 9 Feb. 1967, sent by Galsworthy of the Embassy in Bonn to Statham; Markus Schulte, 'Challenging the Common Market Project: German Industry, Britain and Europe, 1957-1963', Deighton and Milward (eds), *Widening, op cit.*, p.167-183

<sup>187</sup> PRO FCO30 187, Berg to Kiesinger, 4 Feb. 1967

discussed.<sup>188</sup> Community development seemed to take priority in German thinking, particularly as de Gaulle had suggested that the Rome summit could be used to address fusion.<sup>189</sup>

Germany's attitude towards British concerns about agriculture was also relevant. Lahr in fact disputed the British figures, arguing that Britain's calculations of a balance of payments cost of £175-250m from levy payments was actually the total cost of the burden including the rise in import prices.<sup>190</sup> The British considered that the German Ministry of Agriculture had not fully appreciated that the British saw the problem as the cost to the balance of payments rather than balancing the budget in Britain.<sup>191</sup> The Ministry of Finance was also concerned that Britain could be too weak to cope with membership without heavily drawing on Article 108.<sup>192</sup> The economic reasons to push hard for British accession in the short-term were not compelling.

In the main, the German reluctance to stand up to de Gaulle resulted from political considerations. Kiesinger was personally in favour of Franco-German rapprochement, coming from the Adenauer wing of the party.<sup>193</sup> Added to this was the sense that every German leader had to go through a 'honeymoon' period with the French, before the deeper points of conflict began to intrude.<sup>194</sup> Kiesinger's political priorities led to a tactical reluctance to apply direct pressure to the French for fear of jeopardising wider goals. The discussions between the French and Germans in January seemed also to have

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<sup>188</sup> PRO PREM13 1477, Wilson, Brown – Kiesinger, Brandt, 15 Feb. 1967, 10am

<sup>189</sup> *ibid.*

<sup>190</sup> PRO PREM13 1477, Wilson – Kiesinger and delegations, 15 Feb. 1967, 3.30pm

<sup>191</sup> PRO FCO30 187, Galsworthy to Statham, 8 Feb. 1967; Statham to Galsworthy, 9 Feb. 1967; Kelsey (MAFF) to Statham, 10 Feb. 1967

<sup>192</sup> PRO FCO30 187, German Ministry of Finance Note on Monetary Implications, 31 Jan. 1967

<sup>193</sup> Wilson, *Labour, op.cit.*, p.368

<sup>194</sup> PRO CAB128 42, CC(67)8<sup>th</sup>, 14 Feb. 1967

contributed to the sense that they did not wish to annoy the General. Kiesinger argued:

Revived Franco-German friendship was a tender plant which had to be treated with great care, not only because of the importance of their relationship to the two countries themselves, but also because these relations were of importance to the whole of Europe... How could the Germans exert an influence in Paris? He did not believe that they could impress General de Gaulle by attempting to bring pressure to bear on him, for they knew his personality and how strongly he felt about certain things. Nor did he think that it would be good for Germany to exert much pressure so soon after overcoming the unpleasantness which had existed between France and Germany...The more Germany could fulfil the hopes which the French placed in improved co-operation with her, the better would be the chance of her arguments succeeding.<sup>195</sup>

Tactical reluctance was not confined to the pro-French Kiesinger. Brandt, who was more in favour of British membership, also advised against making an application at the present time. He did not think that it could be possible to make headway with de Gaulle and advised Britain to wait until the Germans had talked to the French: 'he doubted whether it was wise to have multilateral discussions on British entry at this stage before some further progress had been made in various bilateral talks'.<sup>196</sup> The statement reveals that Brown's view of Brandt as a co-conspirator in Britain's attempt to get in, was completely misjudged. It also suggests that Wilson's interpretation that Brandt made a deal with Kiesinger for domestic stability may also have been over-optimistic. Brandt appeared to share Kiesinger's concerns about pushing de Gaulle too fast.

Wilson and Brown did, however, seem to make headway in forcing a more positive attitude from the Germans. Wilson's explanation of the long-term political benefits of British entry was fulsome, outlining the development of the European Community in terms of 'strength, unity and independence' as a vision for the future.<sup>197</sup> Both leaders did play down the 'conditions' of membership, stressing that the importance lay in the political arguments.<sup>198</sup> Wilson indicated that the negotiations would be short, confined to four or five major issues in order to get away from the economic horse-trading of the Brussels negotiations. He also used threat tactics, suggesting that if Britain was rebuffed, public opinion would start to turn away from Europe and the great opportunity for the extension of East-West détente would be lost.<sup>199</sup> Kiesinger's press briefing did say that Germany would work for British entry:

we will make efforts objectively and in our own interests to bring Britain into the Common Market because her entry would be a useful contribution to the existing Community. We have committed ourselves to this and have agreed to exercise some influence on the French. The talks have had a good result and our position has been strengthened by knowledge about the British arguments.<sup>200</sup>

Brandt was keener than Kiesinger and had been swayed by the prospect that Britain would turn away from Europe. According to the British records, when Kiesinger and Brandt reported to the German Cabinet, Kiesinger said that they would now seek to 'dissipate French reservations'. Brandt, however, said that the Germans must give active support, as 'failure

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<sup>195</sup> PRO PREM13 1477, Wilson, Brown – Kiesinger, Brandt, 15 Feb. 1967, 10am

<sup>196</sup> PRO PREM13 1477, Wilson, Brown – Kiesinger, Brandt, 16 Feb. 1967, 10am

<sup>197</sup> PRO PREM13 1477, Wilson – Kiesinger and delegations, 15 Feb. 1967, 3.30pm

<sup>198</sup> *ibid.*

<sup>199</sup> PRO PREM13 1477, Wilson, Brown – Kiesinger, Brandt, 16 Feb. 1967, 10am

would cause great dismay to the European-minded young generation in Britain'.<sup>201</sup> British action turned also to putting pressure on the German opposition parties to keep up the influence on Kiesinger in the Bundestag.<sup>202</sup> But Wilson had not been able to convince Kiesinger forcibly to hold the door open. Moreover, both Kiesinger and Brandt had actively counselled delay. Prior to the probe, Wilson had told the Cabinet that Germany would welcome British accession, but doubted whether they would be prepared to press their support against France. He stated that 'we should be in a better position to judge in the light of this and other visits whether or not we should seek to join the Community and if so what the timing of our approach should be'.<sup>203</sup> It is perhaps telling that he did not report back to the Cabinet on the results of the visit.

Wilson was still determined to advance towards some kind of membership bid. The Prime Minister told Hetherington he was thinking of holding multilateral discussions between Britain and the Six when the probe had ended. These discussions would deal with four or five major issues and would allow time for opinion in Britain to evolve towards accepting membership.<sup>204</sup> He did not seem to be thinking in terms of an immediate membership bid, suggesting that there was no need to hurry and that Britain's balance of payments would be stronger later in the year.<sup>205</sup> In the Netherlands, Wilson and Brown tested the water mainly to see what kind of application would be acceptable to opinion in the Six. The Dutch were plainly in favour of

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<sup>200</sup> PRO PREM13 1477, Bonn to FO, tel.315, 16 Feb. 1967

<sup>201</sup> PRO FCO30 73, Roberts to FO, tel.322, 17 Feb. 1967

<sup>202</sup> PRO FCO30 188, Pope to FO, 21 Feb. 1967

<sup>203</sup> PRO CAB128 42, CC(67 8<sup>th</sup>), 14 Feb. 1967

<sup>204</sup> LSE, Hetherington Papers, 13 22, Meeting with Wilson, 19 Feb. 1967

<sup>205</sup> *ibid.*

British accession for political reasons and had firmly supported Britain during the Brussels negotiations and in the 1961-2 talks on political union. As the Dutch Foreign Minister Joseph Luns said:

Since the last war the Netherlands government had been absolutely committed to the idea of greater cohesion and unity within Europe and finally to the concept of a united Europe. Great Britain could and should play a very great role. This was not only because of the values which Great Britain could contribute to the expanded community, the Netherlands government saw in our accession the possibility of further harmonised development and close co-operation with North America.<sup>206</sup>

Luns and the caretaker President of the Dutch Council of Ministers, Professor Jelle Zijlstra, did not agree that Wilson should press for multilateral discussions. Rather, Zijlstra suggested that Britain should issue an unconditional application, agreeing to accept all the provisions under transitional periods. Attaching preconditions to membership would lead to 'new stumbling blocks' and delay. It was also preferable, Luns emphasised, to make some kind of application now so as not to lose the momentum created by the probe. A further option of more bilateral talks would allow Britain's detractors to argue that the British were unsure exactly what they wanted. The Dutch did suggest that Britain should seek solution to acceptance of the CAP by participation in the 1969 agricultural review. If Britain were a member by 1969, then Britain could influence the final settlement.<sup>207</sup>

The central issue for Luns was to avoid either procrastination or a definite 'no' from the French. In order to achieve this symmetry, it would be necessary for Britain to issue an application uncluttered enough to show that



Britain accepted Community terms. Wilson argued that it would be impossible domestically to make an unconditional application:

if the advice meant that Britain should put in an entirely unconditional application it would not be accepted by the British Parliament unless it was backed by a clear understanding of what would happen in relation to British and Commonwealth interests, what would be covered in the negotiations and what would be left for later settlement, and so on.<sup>208</sup>

On the central issue of how to proceed with the bid, Wilson therefore appeared to arrive at an impasse. His preference of multilateral talks would provide opportunity for the French to argue that Britain was not serious. The Dutch alternative of an unconditional application, conversely, would prove impossible for domestic opinion to accept.

The Dutch did make suggestions, that Wilson found useful, as to how to deal with sterling. Wilson argued that the balance of payments was now strong and so there would be no need for the Six to worry about having to support sterling under Article 108. Britain's balance of payments difficulties had been rectified by the July deflation. Moreover, the level of the sterling balances was constant. The Basle agreements and the IMF provided additional support if sterling was under pressure and Britain's total assets were greater than liabilities. Zijlastra suggested it could be useful to draw a distinction between sterling as a reserve currency and the balance of payments. Britain should undertake that they would not call on Article 108 in the event of fluctuations in the sterling balances. The problem was that the Six did not

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<sup>206</sup> PRO PREM13 1477, Wilson – Zijlastra and delegations, 27 Feb. 1967, 10am

<sup>207</sup> *ibid.*

<sup>208</sup> *ibid.*

want to be held responsible for paying off holders of sterling in the event of significant sales of the currency.

Wilson readily agreed, keen to establish that there was a difference between the sterling balances and the balance of payments. Such a solution would also ensure that sterling was handled primarily in the international forum of the IMF. Van Lennep, Treasurer General in the Ministry of Finance, argued that it was less the problem that Britain might call on the Six to help with the sterling balances, as Article 108 had not envisaged baling out reserve currencies. Rather, the problem was that Britain might be forced to adopt deflationary policies in the absence of alternative policy instruments. He agreed that an undertaking that the Six would not have to underwrite sterling would be useful.<sup>209</sup>

The Dutch suggestions led Wilson to a reconsideration of his procedural options. The fact that Dutch advice caused him to reappraise is testimony to the underlying realism of his approach, although it also confirms that he had initially overestimated the settlement that he could negotiate. Again, Wilson claimed to have been thinking about the Common Market in his bath:

he said he was now doubtful about multilateral talks. He thought they might have to take a straight decision on making a direct application and signing the Rome Treaty. This was the Dutch advice. He seemed much less confident then before of being able to get a further elucidation of the three major problems [CAP, New Zealand, capital movements] as seen from our side before having to take his decision.<sup>210</sup>

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<sup>209</sup> PRO PREM13 1477, Wilson – Zijlastra and delegations, 27 Feb. 1967, 4pm

<sup>210</sup> LSE, Hetherington Papers, 13 21, Meeting with Wilson, 1 Mar. 1967

Wilson's realisation that he would not be able to get the safeguards he had initially envisaged also sheds light on the Prime Minister's attitude towards the 'conditions' of membership, particularly to the CAP. Hetherington's recollections show that Wilson himself was propelled reluctantly towards acceptance of the provisions of the EEC. He continued to cling to the possibility that if Britain were unable to protect her 'essential interests' during negotiations, then Britain could recoil at the end:

He said that even if we took the decision to apply and to sign the Treaty we could still pull back at the very end, but he obviously did not view this possibility with much pleasure. The implication of the way he said it was that it could be a kind of desperate last resort if, after signing and starting to go in, we found that the conditions on the crucial issues were still wrong.<sup>211</sup>

Thus, the initial equivocation that Wilson had shown towards the Common Market was still evident. He did not want to take Britain into the EEC without safeguards, but the discoveries on the probe showed how narrow Britain's options were. Although the notion of pulling out at the last minute was later a sop to ministerial opinion, his comments to Hetherington suggest that Wilson allowed himself to believe that there would always be a way out. In the ever-ambivalent boundaries of the Prime Minister's thinking, understanding that the path into the EEC was one-way was consistent with a persistent belief that he would, if necessary, be able to put Britain into reverse.

In Luxembourg, Wilson experimented with different ways of circumventing the potential problem of the CAP. A shift from his reiteration that Britain would need safeguards, Wilson put forward his 'personal opinion'

that Britain would be able to accept the philosophy that agricultural levies should be owned by the Commission. What Britain sought was not fundamental change but 'special safeguards', in the way that Germany had been granted a ceiling for its contribution to the fund:

We were after all talking in terms of a marriage between the Community and Britain. You might prefer the girl you were marrying to have blue rather than grey eyes but you could not insist on her changing the colour of her eyes before you married her.<sup>212</sup>

On this basis, the Luxembourg Prime Minister Werner indicated that solution should be possible. The important factor for the Luxembourgers was that Britain would be able to accept the solution envisaged for the CAP in the final stage of the Community's transition.<sup>213</sup>

Overall, the probe was a success. First, it built political support for Britain in Europe and encouraged Wilson to erode gradually the stress on Britain's desire to make safeguards in advance of membership. He came back from Europe, as Pimlott had noted, a convert to the cause of membership.<sup>214</sup> Yet, the probe drew attention to greater problems involved in the British bid. The first of these was sterling. Making the application at a time of balance of payments weakness facilitated French arguments that Britain was economically too weak to join and that British weakness was symptomatic of Britain's extra-European interests. French political concerns fed into the Five's fears that Britain would not be able to cope with membership, in

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<sup>211</sup> *ibid.*

<sup>212</sup> PRO PREM13 1478, Wilson – Werner and delegations, 8 Mar. 1967, 10am

<sup>213</sup> *ibid.*

<sup>214</sup> Pimlott, *Wilson, op.cit.*, pp.441-442

particular German anxiety that Britain would use European money to run down the sterling balances or finance the payments deficit.

Secondly, the probe revealed that none of the Five would be prepared to stand up to the French to force British membership. This was a particularly acute problem in Germany, where the balance of political power had recently shifted in favour of the pro-French supporters and ensured that de Gaulle would not face odious political pressure if he refused to let Britain in. But the problem went deeper than this. Community development and in particular the difficult and lengthy settlement of the agricultural negotiations meant that none of the Five were willing to unpick agreements they had fought hard to achieve. The CAP, as the Belgians and Italians made clear and as had been revealed earlier during discussion of the Kennedy Round, embodied the whole philosophy of the Community's economic management. This meant that Britain would not be able to secure safeguards in advance of membership. For all the Six, the preservation and development of the existing system was too important to make substantial changes. Everyone had had to accept unwelcome consequences for the benefits of membership and so too would Britain. Wilson had come to understand reluctantly that substantial safeguards would prove unnegotiable. Still aspiring to a solution that left an escape-route open, the Prime Minister turned to the unenviable task of reconciling the opposing requirements of Britain's European and domestic interests.

## 5. Finding a Role? Cabinet's Acceptance of the European Application, March – April 1967

As the probe drew to a close, Harold Wilson decided the time was right to bring the Cabinet to acceptance of an application for membership of the EEC. Significantly, the initial decision to make the application was Wilson's alone and did not involve collaboration with his Foreign Secretary. In fact, Brown, partly influenced by strong indications from German sources that Britain should delay making an overt initiative, counselled further bilateral discussions.<sup>1</sup> Brown, Con O'Neill and William Nield in the Cabinet Office all felt that it would be impossible to gain Cabinet acceptance for the conditions necessary to make a convincing application.<sup>2</sup> Rather than launch the bid in this way, Brown suggested that to sustain the momentum gained by the tour, the Cabinet should take a decision in principle to accept the Treaty and then conduct further discussions.<sup>3</sup>

The state of play in the Cabinet was the primary consideration for Wilson, as a rare letter to Trend, obtained by the Foreign Office, reveals. The critical difference between Wilson and Brown was Wilson's belief that the Cabinet could be brought to support the application on the terms that would be necessary. The application would be simple, but not unconditional. The 'conditions' would be dealt with in a statement to the House that would leave unclear the exact nature of the end settlement, implying that safeguards would be negotiated without promising so. Wilson did not discuss the precise terms

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<sup>1</sup> PRO FCO30 188, O'Neill to Gore-Booth, 28 Feb. 1967; Roberts to O'Neill, 9 Mar. 1967; PRO FCO30 189, Galsworthy to Statham, 14 Mar. 1967

that Britain could or could not accept. Of the prospect of a French veto, Wilson commented simply that 'our general view has been that a rebuff would be very difficult for them'.<sup>4</sup> During the eight Cabinet meetings to follow, ministers gradually played out the political and economic rationale behind Wilson's turn to Europe.

### **Negotiating Objectives**

Within the Foreign Office, plans were ongoing to create a negotiating strategy different from that used by Macmillan, designed to accord to a much greater extent to the Community's methods. The brain behind the strategy was John Robinson, regarded as the driving force in the Foreign Office's European policy.<sup>5</sup> Drawing on ideas developed after the 1963 veto, Robinson suggested the radical proposition that Britain should not seek safeguards in advance of membership. Rather, the British should get into the Community and work to safeguard Britain's interests from the inside. Maximising Britain's influence from within displayed an ability to accept the principle of membership without niggling over the details and was appreciative of the flexible, cross-sectoral trading now commonplace in the Community. In this analysis, demanding safeguards in one sector would have serious repercussions in another. Robinson argued, for instance, that insistence on cheap cereal prices in Britain would force the Community to subsidise their exports to Britain and so would

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<sup>2</sup> PRO PREM13 1477, Nield to Palliser, 23 Feb. 1967

<sup>3</sup> PRO FCO30 82, Brown – Mulley, 24 Feb. 1967

<sup>4</sup> PRO FCO30 82, Wilson to Trend, undated, early March 1967 (probably before the Luxembourg visit on 8 March)

<sup>5</sup> Young, *Blessed*, *op cit*, pp.172-181

increase their call for Britain's large contribution to the agricultural fund.<sup>6</sup> As

Con O'Neill put it:

The experience of many years...taught us...that the power of any country outside the Community to influence its decisions and actions is extremely limited. The experience of the members of the Community themselves since 1958 should have taught us that their own power to protect their interests from within the Community is sufficient.<sup>7</sup>

The Cabinet never debated Robinson's paper, but Wilson had read it and it was later circulated as the point of departure in the EURO Committee.<sup>8</sup> The innovation in Robinson's thinking was to set out the case for accession to the Community via one single transitional period covering all sectors. Robinson advocated a one-year standstill period followed by a four-year transition. The standstill year was necessary in order to give twelve months notice of withdrawal from the Stockholm Convention to allow those EFTA countries unable to associate time to adjust to the reintroduction of tariffs. His idea of a single period covering all sectors was important, and relates also to his increased emphasis on cross-sectoral bargaining.

A single transitional period would overcome the fundamental problem of 'trade deflection' which had been an issue between the Six and the British since the Free Trade Area negotiations in 1957.<sup>9</sup> If Britain adopted the internal customs tariff at a quicker rate than the common external tariff, Britain would benefit from free trade in manufacture with the Community while retaining

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<sup>6</sup> PRO PREM13 1479, Negotiating Objectives, Robinson paper, 20 Mar. 1967; PRO FCO30 100, comments by Brown, 29 Mar. 1967

<sup>7</sup> David Hannay, (ed.) *Britain's Entry into the European Community: Report on the Negotiations of 1970-1972 by Sir Con O'Neill* (London: Frank Cass, 2000), p.356

<sup>8</sup> PRO PREM13 1479, Palliser and Wilson comments on Robinson paper, 7 Apr. 1967

<sup>9</sup> Ellison, *Threatening*, *op.cit.*, pp.187-197



free imports of food from the Commonwealth. Cheap Commonwealth imports could pass through Britain on the way to the Community and so undercut Community producers in European markets. In addition, the Community's agricultural exports to the UK, particularly those of the Dutch and the French who could expect to penetrate the UK markets in the absence of cheap competition, would be significantly disadvantaged.<sup>10</sup> The question was complicated further because of the substantial agricultural production of Denmark and the Republic of Ireland. The Six did not want to face Danish and Irish competition unless Britain's market was simultaneously opened to help absorb it. Asking for one transitional period would strengthen Britain's case for breathing space to adopt the Community's agricultural provisions, as the Community itself wanted at least five years to open its borders to Britain's coal exports.<sup>11</sup>

Importantly, the idea of a single transitional period reiterated the political principle that Britain could and would accept all the provisions of the Treaty of Rome. Robinson's ideas were very different to any that had been publicly discussed and serve to illustrate the gulf between informed Foreign Office opinion and the wider political environment. As Wilson's earlier comments to Hetherington suggest, he did not himself want to accept all the provisions of the Treaty of Rome and hoped to leave open the possibility of last minute retreat.<sup>12</sup> Nevertheless, as he embarked upon the series of Cabinet meetings, Wilson knew the broad shape of the settlement he would have to convince the Cabinet to accept in order to deliver a convincing bid.

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<sup>10</sup> Ludlow, *Dealing, op.cit.*, p.185

<sup>11</sup> PRO PREM13 1479, Negotiating Objectives, Robinson, 20 Mar. 1967

## **Capital Movements and Regional Policy, 21 March and 6 April**

The experience Wilson had gained of the European Community on the probe gave him the credibility to take the lead in the Cabinet. Wilson began with an accurate description of the issues dealt with during the tour. He illustrated that the three main problems were the CAP levy system, capital movements, particularly portfolio investment, New Zealand and the Commonwealth Sugar Agreement. Other difficulties, he argued, had been shown as less important than originally thought. Regional policies would not pose difficulties, as the Six were all able to pursue these. There was nothing in the Treaty of Rome to rule out economic planning. Sterling and Article 108 could constitute a stumbling block, although the Dutch had made the useful suggestion that Britain could undertake not to use the article. He admitted de Gaulle did not want Britain in and that the Five would be unwilling to push for a breach with the French for the sake of British accession.<sup>13</sup> The Cabinet turned to discuss the conditions of membership, beginning with capital movements and regional policy.

The problem for the UK in accepting the Community's provisions for capital movements resulted mainly from the current weakness of sterling. The Community's third directive on capital movements in 1966 sought complete liberalisation of capital between member states. Since 1964, however, the government had adopted stringent controls on capital movements in order to protect the parity of the pound, including the recent voluntary programme to restrain the export of capital to the sterling area.<sup>14</sup> It would be impossible to sustain this upon entry to the Community, as it would be politically difficult to

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<sup>12</sup> LSE, Hetherington Papers, 13 21, Meeting with Wilson, 21 Mar. 1967

<sup>13</sup> PRO CAB128 42, CC(67)14<sup>th</sup>, 21 Mar. 1967

discriminate against the sterling area countries in favour of the Community. Outside the sterling area, neither direct nor portfolio investment was allowed in official exchange. Direct investment had to be financed by borrowing abroad and portfolio investment was only permitted in investment currency.<sup>15</sup> Direct investment outflows would be offset by inflows, but portfolio investment could lead to a massive outflow to the USA, as British investors would be able to hold foreign currency securities outside the Community. Capital could rapidly flow out of the UK calling into question the exchange value of the pound.<sup>16</sup>

In principle, the Treasury clearly accepted the implications of European membership and also acknowledged that Community provisions could be used to safeguard the potential outflow of portfolio funds. The Dutch had had a similar problem regarding portfolio investment and had recommended the use of Article 70(2) of the Treaty to provide safeguards against the outflow. If the provisions were phased in over a transitional period, Britain could avoid the shock of sudden change. Callaghan told the Cabinet that membership would help to preserve the parity of sterling by providing a stimulus to industrial competitiveness and would make the UK more attractive to US investment. The economies of scale provided by a larger market could also provide a spur to industrial efficiency.<sup>17</sup> The Treasury's acceptance of the principle of European membership resulted from their longer-term aims towards global relaxation of restrictions.<sup>18</sup> Since *de jure* convertibility in 1958, the Treasury had been working to multilateralise trade and payments with the

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<sup>14</sup> PRO CAB128 42, CC(67)17<sup>th</sup>, 6 Apr. 1967

<sup>15</sup> PRO CAB134 2812, EUR(O)(66)38, Capital Movements, Treasury, 5 Jan. 1967

<sup>16</sup> *ibid.*

<sup>17</sup> PRO CAB128 42, CC(67)17<sup>th</sup>, 6 Apr. 1967

European countries and by 1960 considered that its closest economic relationship was with continental Europe, not the sterling area countries.<sup>19</sup> London's highly developed capital market could expect to take advantage of access to the Six's monetary and insurance sectors and it was hoped that the City would become the leading financial centre in the Community.<sup>20</sup>

For the Cabinet, it was also clear that acceptance of the application resulted in part from agreement with the economic rationale behind Callaghan and Wilson's statements. Wilson argued that discussion in Europe had shown that it would not be difficult to safeguard the government's practice of regional policies as all members of the Six adopted regional discrimination in some form. Jay countered that the removal of exchange controls would weaken the government's capacity to enforce regional provision, as the government would not be able to control where investment took place. This would mean effectively handing over to the markets the government's control of the distribution of employment and prosperity. Wilson responded that without membership, Britain would not be able to have regional policies:

our investment in development areas depended on our growth of the economy and there was reason to think that entry would lead to an incentive for industry to increase investment and thus increase the growth of the economy.<sup>21</sup>

The argument that membership would encourage growth and facilitate regional policies and by implication, welfare policies, was a vital one.

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<sup>18</sup> Schenk, 'The UK, The Sterling Area and the EEC', *op.cit.*, p.129, 133, 137

<sup>19</sup> Catherine R. Schenk, *Britain and the Sterling Area: From Devaluation to Convertibility in the 1950s* (London: Routledge, 1994), p.129

<sup>20</sup> PRO CAB134 2812, EUR(O)(66)37, International Role of Sterling, Treasury, 5 Jan. 1967

<sup>21</sup> PRO CAB128 42, CC(67)17<sup>th</sup>, 6 Apr. 1967

Ministers such as Crossman, disappointed by the failure of Labour's alternative of the National Plan, voiced support for this case:

Once it's known we are going into the Common Market the industrialists who are holding back now will put in an extra 20 or 30 % of investment. That will get the growth rate up. It's the lift we require to restore growth that will help the development areas more than any artificial scheme a British government could think up.<sup>22</sup>

Even Barbara Castle, more fervently opposed to membership, admitted that the collapse of the 'socialist' economic plan left the government with no real alternative. She indicated her appreciation of the need to adopt credible policies in order to stay in office, showing the force of Stewart's argument in October that the public had lost faith in planning as a framework for growth. She consoled herself that she could work for smaller aims within the European framework:

Yet the more disappointed I am over our policies in other fields, the more satisfaction I get from fighting for the right policies in my own. And the more painful becomes the thought of giving up my job to return to the sterilities of the back benches.<sup>23</sup>

The collapse of the government's economic alternative of the National Plan led the Cabinet to resigned acceptance of EEC membership. Crossman indicated that opinion firmly against an initiative rested only with Douglas Jay. Peart, Castle and Healey were no longer committed against an attempt to get in.<sup>24</sup>

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<sup>22</sup> Crossman, *Diaries*, vol.2, *op.cit.*, p.303, 6 Apr. 1967

<sup>23</sup> Castle, *Diaries*, *op.cit.*, pp.120-121, 21 Mar. 1967

## The CAP, 18 April

In the Brussels negotiations, the British had initially hoped to avoid the main ramifications of the CAP. When agriculture was discussed in February 1962, Heath asked for a transitional period of 12-15 years and suggested that the Treasury could continue to supplement grants to farmers.<sup>25</sup> Combined with Britain's demands for exceptions to the common external tariff for Commonwealth trade, Britain's commitment to the nascent CAP seemed minimal.

Robinson's system of transitional periods intended to deal with the problem of the adoption of the CAP. His new idea was to phase in the agricultural changes at the same time as the industrial ones. The single transitional period met head on the problem of trade deflection and origin rules, made more pressing by the completion of the customs union in July 1967. For example, the Dutch would receive the duty imposed on imports entering the Community bound for Germany through the Dutch port of Rotterdam, but the goods would proceed free of duty to Germany.<sup>26</sup> The opportunity for re-export and the potential for flooding the Community market with third country produce, or exporting produce made with cheap imports of raw materials were clear. In July 1966, the Six confirmed the May agreements to pay 90% of the variable levies charged on third country agricultural imports directly into the Community's agricultural fund.<sup>27</sup> The agreement confirmed the principle of 'own resources', providing the Community with an annual

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<sup>24</sup> Crossman, *Diaries*, vol.2, *op cit.*, p.285, 21 Mar. 1967

<sup>25</sup> Ludlow, *Dealing op.cit.*, pp.99-104

<sup>26</sup> Lambert, 'Constitutional Crisis', *op.cit.*, pp.200-202

<sup>27</sup> PRO FO371 188381/M10840 120, Marjoribanks despatch no.4, 4 Aug. 1966; PRO FO371 188379/M10840 53, Marjoribanks despatch no.9, 17 May 1966

budget. 'Own resources' removed the incentive for trade deflection, thus consolidating the principle of the internal customs union. Robinson envisaged acceptance of the CAP in its entirety. The sooner Britain adopted the Community's tariffs, levies and provisions for farmers, the earlier the British would be able to secure voting rights in the Council of Ministers and thus full political weight in the Community.<sup>28</sup>

The Ministry of Agriculture had also accepted the principle of the CAP, subject to particular safeguards. Yet, the safeguards requested undermined Robinson's proposals and so raised questions about Whitehall's commitment to the EEC system. The Ministry of Agriculture's main concern was that adoption of the CAP would cause distortion in British farming. In December 1964, the Six had agreed prices for cereals considerably higher than Britain's own levels. Projections for 1966-67 revealed that Britain's wheat price would face a hike of just over £10 per ton and barley at just under £6 per ton. The rise in cereal prices, the Ministry predicted, would lead to an unmanageable distortion in domestic production. Higher cereal prices would encourage farmers to concentrate production in larger units in more lucrative agrarian pursuits in the south and east of the country, increasing cereal production from its projected 18m tons in 1973 to 20m tons. Dairy and hill farmers alongside pig and poultry farmers made up a much higher proportion of total farm sales – 50% compared to cereals' 12%. Based principally in the north and west, Scotland and Wales, these farmers would suffer a comparative loss of profits, face unemployment and the practice of such farming would fall

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<sup>28</sup> PRO PREM13 1479, Negotiating Objectives, Robinson, 20 Mar. 1967

into decline.<sup>29</sup> Britain's domestic beef price was set to rise, although price levels for milk, potatoes, sheepmeat and some fruit and vegetables would drop slightly.<sup>30</sup>

The National Farmers' Union also wanted to preserve the existing system of an annual review procedure which gave the NFU a say in pricing and production quotas. In the wider political environment it was the question of prices that posed the most sensitive problems.<sup>31</sup> The cost of food was set to rise by between 10-14% and the cost of living by 3%.<sup>32</sup> Presented in terms of the cost to the 'pocket of the ordinary housewife', price rises were a weapon employed by both left and right wing opponents of membership. Internationally, it was difficult to sustain Britain's trading preferences, connected to policies of domestic support, without the political influence bought by membership. In the Kennedy Round, for example, the Six and the USA wanted to raise the world's wheat prices above the level current in Britain and wanted to export surpluses produced in developed countries as food aid to the developing world.<sup>33</sup> For Britain, export surpluses would encourage more imports, straining the balance of payments further. Standing alone was increasingly unsustainable and Britain's attempts to mitigate its difficulties by the generalisation of preferences were thwarted by the might of the Six and the USA.

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<sup>29</sup> PRO CAB128 42, CC(67)21<sup>st</sup>, 18 Apr. 1967; PRO CAB129 128, CC(67)44, Agriculture and the Common Market, Secretaries, 30 April 1967

<sup>30</sup> PRO CAB129 128, CC(67)44, Agriculture and the Common Market, Secretaries, 30 April 1967

<sup>31</sup> Robert Pfalzgraff, *Britain Faces Europe* (Pennsylvania: University of Pennsylvania Press, 1969), p.189

<sup>32</sup> PRO CAB129 128, CC(67)44, Agriculture and the Common Market, Secretaries, 30 April 1967

<sup>33</sup> PRO CAB129 129, C(67)55, Sector Report on Kennedy Round Negotiations, President of the Board of Trade, 14 Apr. 1967



The Ministry of Agriculture wanted to seek from the Community assurances for four specific problems involved in Britain's adoption of the CAP: the winter production of liquid milk, arrangements for pigs and eggs, continuation of hill farm subsidies and an annual review procedure similar to that employed in Britain.<sup>34</sup> Milk was a problem because of the CAP agreement for dairy produce, which set the price for butter and cheese at the same level for that of liquid milk. In the UK, liquid milk received a guaranteed price, whereas butter and cheese were sold at world prices. This encouraged the production of liquid milk throughout the year, ensuring supply in the winter when it was more expensive to produce. The Ministry of Agriculture's fear was that the levelling of prices and the undermining of the collective marketing system of the Milk Marketing Boards would encourage local dairies to sell cheese and butter rather than liquid milk. This could leave the 'housewife' short of milk in the winter and would create 'social and political problems'. The Ministry of Agriculture accordingly suggested retention of the role of Milk Marketing Boards and arrangements to ensure the continuation of higher prices for milk than butter and cheese.<sup>35</sup>

For pigmeat and eggs, the Ministry of Agriculture wanted to adopt support buying in order to boost their prices and thus their profitability. The problem was the general distortion of agricultural production favouring cereal farmers over hill farmers. Pig and poultry farmers would stand to lose also because of the increased cost of cereal feed owing to the cereal price rises.

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<sup>34</sup> PRO CAB128 42, CC(67)21<sup>st</sup>, 18 Apr. 1967

<sup>35</sup> PRO CAB129 128, CC(67)44, Agriculture and the Common Market, Secretaries, 30 April 1967

Intervention arrangements, for which talks were underway in the Community, could meet Britain's needs.<sup>36</sup>

The most serious problem was that of agricultural levy payments. The settlement in July 1966 of the exact quantities confirmed just how much Britain would have to contribute. Later calculations indicated that Britain would be charged £180m in levy payments and a further £30m on the fixed percentage contribution, while net receipts would only be £45m, leading to a net contribution of £192.5m.<sup>37</sup> Britain's contribution was calculated at 35% of the total contributions, higher than Germany, the next largest contributor, whose payment would be 20%, despite Germany's higher GNP. The Cabinet were told that Britain's payments into the Fund would add to the total balance of payments cost, calculated at between £175-250m annually.<sup>38</sup> Admitting now that Britain would shoulder this burden could encourage an anticipatory outflow of capital and so reopen the fundamental question as to whether or not Britain was economically strong enough to seek entry. Privately, the Foreign Office felt that Britain would have no choice but to accept the levy payments, hoping to modify them once inside the Community. Robinson encouraged the Prime Minister to think of the Six's agricultural review as a solution: 'We assumed that it would be our objective to be in the Community in time to take part in negotiating the new financial arrangements to apply after 1969'.<sup>39</sup>

The Minister of Agriculture, Fred Peart, established that it was not in Britain's interests to join the CAP because of the distortion to agriculture and

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<sup>36</sup> *ibid.*

<sup>37</sup> PRO CAB134 2817, EUR(O)(67)65, Agricultural Guidance and Guarantee Fund, 23 May 1967

<sup>38</sup> PRO CAB129 128, CC(67)44, Agriculture and the Common Market, Secretaries, 30 April 1967

<sup>39</sup> PRO FCO30 100, Robinson to O'Neill, draft response to Wilson, 11 Apr. 1967

the reduction in farmers' security. Higher prices would add to the cost of living and the cost to the balance of payments would be serious. Peart demanded at least a seven year transitional period and argued that Britain must seek commodity arrangements for milk and sugar. It would also be necessary to find ways of relieving the balance of payments and to sustain the current system of an annual review.<sup>40</sup> Wilson stemmed much discussion on the specific provisions. He argued that Britain would have to insist on more than transitional periods to alleviate the inequitable burden of levy payments and the balance of payments cost of membership.<sup>41</sup>

Wilson's insistence on more than transitional periods for agriculture illustrated his contradictory attitude expressed to Hetherington after the Dutch probe. His personal opinion, as he had formerly told Robinson, was that he had 'never accepted that transitional periods were enough for levy payments'.<sup>42</sup> Yet, Wilson knew that participation in 1969 was unlikely to prove a viable solution. Trend's paper on agriculture admitted as much, specifically stating that the French would never allow British entry before 1969. This point was also made to the Cabinet.<sup>43</sup> It would, however, seem that Wilson deliberately allowed the Cabinet to believe that 1969 could provide a solution. The idea that Britain could solve the difficulties created by the levy arrangements by entry before 1969 certainly entered Cabinet consciousness. In his private notes on the Cabinet meetings, Tony Crosland recorded: 'Miss crucial 1969: higher and higher price to pay'.<sup>44</sup> 1969 thus became a means by

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<sup>40</sup> PRO CAB128 42, CC(67)21<sup>st</sup>, 18 Apr. 1967

<sup>41</sup> *ibid.*; Crossman, *Diaries*, vol.2, *op.cit.*, p.308, 18 Apr. 1967

<sup>42</sup> PRO PREM13 1479, Wilson comments on Negotiating Objectives, 20 Mar. 1967

<sup>43</sup> PRO CAB128 42, CC(67)21<sup>st</sup>, 18 Apr. 1967; PRO CAB129 128, CC(67)44, Agriculture and the Common Market, Secretaries, 30 April 1967

<sup>44</sup> LSE, Anthony Crosland Papers, Crosland 4 9, Personal Notes on Europe, 1967

which Wilson could insist on safeguards for a domestic audience without having to spell out exactly what Britain would seek for the purposes of a short-term bid. In this way, he could circumvent one of the major difficulties of membership.

**There is no alternative, 20 April 1967**

Aware that continual discussions on the conditions of membership focused ministers' minds on the negative implications of membership, Wilson turned to the political case for entry. Turning to the political arguments was a shift from the tactics employed since the previous November and was the result of the advice of Burke Trend. Trend calculated that Wilson would have to separate those ministers who were opposed in principle from those who were opposed at the moment:

expose the duality...between those who would prefer not to enter in any circumstances we can foresee (the 'nevers') and those who think we should eventually become members but that it would be premature for us to seek membership in the next year to two, or even perhaps so long as General de Gaulle remains in power (the 'not yet's').<sup>45</sup>

Specifically, Trend's argument was designed to meet the case put by Healey that there was no point applying because of the certainty that de Gaulle would veto; no point in 'playing for a rebuff'.<sup>46</sup> At least half the Cabinet were still opposed or wavering. Healey's argument that the application was bound to fail could therefore provide an easy way to oppose the decision without

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<sup>45</sup> PRO PREM13 1479, Trend to Wilson, 19 Apr. 1967

<sup>46</sup> Castle, *Diaries, op.cit.*, pp.123-4, 20 Apr. 1967

opposing the principle and so could swing the balance against. To fend it off, Wilson aimed to show that it was irrelevant whether the application failed. The Cabinet had no alternative, if they were to stay in power, than to state that they accepted European membership on the reduced terms they would be likely to get.<sup>47</sup>

Trend established the economic case for membership, attaching a cover note to Thomas Balogh's paper 'Alternatives to Common Market membership'. Balogh opposed European membership on the grounds that it would precipitate a devaluation of sterling. Balogh believed that the likelihood of devaluation if Britain joined the EEC would provide political support from the United States for an Atlantic Free Trade Area. This, Trend argued, was not the case. Unless there was a complete breakdown in relations between the USA and the EEC over the Kennedy Round, there was no reason for the USA to sign a free trade agreement with Britain. Mainly for political reasons, US policy was to support Britain's membership of the EEC. Trend also ruled out the possibility of 'Going it Alone', reconfigured as 'Abstention'. Technically it would be possible to sustain Britain's economy alone, but it would entail a massive specialisation and limitation of production. Without the benefits of access to the EEC market, having to rationalise the economy in this way would be less appealing than doing so within the framework of membership of the EEC. In an expression of the bottom line economic case for British entry, Trend showed that 'in form we might be more free [outside], but it would be a freedom to submit to disagreeable necessities'.

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<sup>47</sup> PRO PREM13 1479, Trend to Wilson, 19 Apr. 1967

In addition to the implications for Britain's economy, Trend argued that in world trade, Britain needed to be a member of a larger grouping. Other countries were forming trading agreements, such as the American–Canadian agreement for cars or the Australian New Zealand free trade arrangement. Outside these developments, Britain would command little bargaining power and be able to find only limited export markets. Deciding irrevocably against membership would cast Britain adrift from the main developments in politics and trade. Finally, Trend argued that if the French did veto, the UK should continue with current economic and trading policies, but should continue to hope, with US support, that 'at a later stage a more favourable opportunity might occur'.<sup>48</sup>

Wilson adopted Trend's arguments, but added a more overtly political case for going into the EEC. Staying out would confine the role the UK could play in the world, handing over Britain's relationship with the USA to the Germans and watching as the Germans dominated in Europe. Inside Europe, it would be possible to influence the development of the Community. Both the US and the USSR wanted Britain inside Europe in order to act as a counterweight to a resurgent Germany, enabling Britain to play a role in détente.<sup>49</sup> This political view still represented Wilson's, and Brown's, belief that Britain could lead in Europe: 'he still thought that our political influence in Europe if we joined would be great. If we couldn't dominate that lot, there wasn't much to be said for us'.<sup>50</sup>

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<sup>48</sup> PRO CAB129 129, C(67)52, Alternatives to Membership of the EEC, Cabinet Secretary, 14 April 1967

<sup>49</sup> PRO CAB128 42, CC(67)22<sup>nd</sup>, 20 Apr. 1967

<sup>50</sup> LSE, Hetherington Papers, 13 18, Meeting with Wilson, 24 Apr. 1967

The Cabinet furiously rejected Trend's suggestion that in the event of a veto Britain should 'stand on the threshold in a stance of eager expectation'.<sup>51</sup> But Wilson did not let this pass, making clear that if Britain was kept out, there would be little choice but to seek membership in the longer term: 'if rebuffed, we should not rule out the possibility of joining Europe later'.<sup>52</sup> Wilson's arguments did have immediate effect. Healey, the key target of the tactics, was annoyed. His case that he supported the bid because 'the General will save us from our folly' reflected his irritation but masked the deeper realisation that the Cabinet was backed into a corner. He argued that Wilson had brought them to the point where they had no choice but to accept the application.<sup>53</sup> Or as Wilson saw it, Healey had given himself the option of supporting the application, but also would be able to say 'I told you so' if it failed.<sup>54</sup> As Crossman suggested: 'Jay wants postponement. But my impression is that most of the Cabinet now realise that whether we like it or not we must make a serious effort to get in as soon as possible'.<sup>55</sup> By illustrating that Britain had no alternative but membership in the long as well as the short-term, Wilson induced a resigned acceptance of the inevitability of the European application. While he did address the political case for membership, he did so in terms that served to frustrate ministers who remained unconvinced of the arguments for Europe on their merits.

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<sup>51</sup> Crossman, *Diaries*, vol.2, *op.cit.*, pp.320-321, 20 Apr. 1967

<sup>52</sup> PRO CAB128 42, CC(67)22<sup>nd</sup>, 20 Apr. 1967

<sup>53</sup> Castle, *Diaries*, *op.cit.*, pp.123-4, 20 Apr. 1967

<sup>54</sup> LSE, Hetherington Papers, 13 18, Meeting with Wilson, 24 Apr. 1967

<sup>55</sup> Crossman, *Diaries*, vol.2, *op.cit.*, pp.320-321, 20 Apr. 1967

## The Commonwealth, 24 and 27 April 1967

Commonwealth trade had formed the bulk of Britain's difficulties during the first attempt to accede in 1961-3.<sup>56</sup> The Commonwealth had significant political importance for the British public and political class: membership of the EEC thus raised difficult questions about Britain's future political role.<sup>57</sup> In 1961, the British had originally hoped to continue Commonwealth preferences in Britain's market. African and Caribbean countries' problems could be met by association with the EEC. India, Pakistan and Ceylon could seek arrangements for the specific commodities of tea and textiles. The most pressing difficulties arose over the position of the wealthier Old Dominions of Canada, Australia and New Zealand.<sup>58</sup>

It was rapidly established that the Six could not agree to continue preferential access for Commonwealth produce. In particular, exports of temperate zone agricultural produce from Australia, New Zealand and Canada were in direct competition with the Six's own.<sup>59</sup> In August 1962, Heath and the negotiators of the Six reached a verbal compromise position that they would consult with the Commonwealth on long-term arrangements for all cereals and that New Zealand deserved special treatment. Commonwealth exports would otherwise have to adjust to the imposition of the common external tariff in Britain over a transitional period which would gradually

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<sup>56</sup> Ludlow, *Dealing*, *op. cit.*, pp.79-99; Stewart Ward, 'Anglo-Commonwealth Relations and EEC Membership: The Problem of the Old Dominions', Wilkes (ed.), *Britain's Failure*, pp.93-105; Paul L. Robertson and John Singleton, 'Britain, the Dominions and the EEC', Deighton and Milward (eds), *Widening*, *op. cit.*, pp.107-122

<sup>57</sup> Ward, *ibid.*, p.105; Tratt, *Macmillan*, *op. cit.*, pp.119-123; Ellison, *Threatening*, *op. cit.*, pp.37-63

<sup>58</sup> Ludlow, *Dealing*, *op. cit.* pp.80-94

<sup>59</sup> *ibid.*, p.89



phase out Commonwealth preferences.<sup>60</sup> The British Cabinet's rejection of the proposal, combined with French concerns over Britain's acceptance of the agricultural levy system, meant that no final agreement was concluded.<sup>61</sup>

Robinson's position on the Old Dominions marked a revolution from Britain's opening stance in 1961. Essentially, Robinson accepted the principle of the common external tariff, making specific amendments for key products. Furthermore, Robinson suggested that Britain should not consult with the Commonwealth before and during talks with the Community, as they had in the Brussels negotiations. Rather, the UK should inform and discuss a position with Commonwealth countries, but refuse to enter any formal consultation and avoid giving any commitments. There was no question of Commonwealth involvement in any negotiation.<sup>62</sup>

Robinson's conclusions were a pragmatic response to the difficulties created during the Brussels negotiations by the government's desire to get an agreement satisfactory to the Commonwealth. Officials in the EURO Committee resolved that flexibility would be important in future negotiations. Sir Arthur Snelling of the Commonwealth Relations Office argued that it was better to avoid specific commitments and particularly to avoid any mention of permanent derogation. Discussions with New Zealand should make no commitments and deal with New Zealand's problems in a purely exploratory way.<sup>63</sup> Similar accord was reached about consultation with industry. As supporters of European integration, industry should be notified, not

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<sup>60</sup> *ibid.*, pp.144-151

<sup>61</sup> *ibid.*, pp.152-154

<sup>62</sup> PRO CAB134 2817, EUR(O)(67)52, Negotiating Objectives, Foreign Office, 9 May 1967; PRO CAB134 2813, EUR(O)(67)20<sup>th</sup>, 31 May 1967

<sup>63</sup> PRO CAB134 2813, EUR(O)(67)17<sup>th</sup>, 22 May 1967

consulted.<sup>64</sup> The Industrial Consultative Committee had been set to provide an outlet, not to take any decisions or give indications as to what the government's negotiating position might be.<sup>65</sup>

Politically, the Commonwealth was still important to British identity as was quite clear in Commonwealth Secretary Herbert Bowden's submission to the Cabinet:

We speak the same language and we understand each other – all the more so because we have largely common systems in administration, the law, the armed forces, education, British merchanting and banking traditions and interests. Oxbridge, Sandhurst, Shakespeare, the authorised version of the Bible are all genuine links...<sup>66</sup>

With the Europeans, Britain shared none of these links and none of the 'ties of history' that had forged the Commonwealth and encouraged its growth as Britain disbanded from Empire. The multiracial principle was a matter of some pride.<sup>67</sup> Yet, diplomatic relations with the 'Old' Commonwealth were weakening. Britain's recent decision to withdraw troops from Singapore and Malaysia by 1975-76 had engendered strong opposition in Australia, who considered Britain as reneging on historical commitments.<sup>68</sup>

Economic ties were also eroding. Australia had annoyed Britain during the Kennedy Round talks by bargaining away Britain's preference in Australia's market, a policy also followed less ruthlessly by Canada.<sup>69</sup> Both

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<sup>64</sup> PRO EW5 21, Charles to Clark, 30 Nov. 1966

<sup>65</sup> PRO EW5 21, Brief for Industrial Consultative Committee, 8 Dec. 1966

<sup>66</sup> PRO CAB129 129, C(67)59, The Value of the Commonwealth, Commonwealth Secretary, 24 Apr. 1967

<sup>67</sup> *ibid*

<sup>68</sup> *ibid* ; on Anglo-Australian relations and the Singapore and Malaysia withdrawal, PRO CAB148 30, OPD(67)17<sup>th</sup>, 21 Apr. 1967

<sup>69</sup> PRO CAB129 129, C(67)55, Sector Report on Kennedy Round Negotiations, President of the Board of Trade, 14 Apr. 1967

were diversifying their markets. Australia now exported more to Japan than to Britain – after sugar, only 5% of Australia's trade would be affected – and the USA supplied far more to the two than Britain did. Australia's reorientation both commercially and politically towards the Pacific lessened the sympathy of both Britain and the EEC to her needs.<sup>70</sup> External developments and Britain's own hopes for agricultural development also contributed to Robinson's position. Wheat exporters, such as Australia and Canada, could also expect to secure a rise in their export earnings in the Kennedy Round, which was likely to increase the price of wheat.<sup>71</sup>

Britain's difficulties in moving away from the developing Commonwealth were made more bearable as the developing Commonwealth had been exercising its own independence in international forums. As Bowden put it: 'in a special sense, Commonwealth Prime Minister's meetings in recent years have contained examples of Britain clutching vipers to her bosom – and paying for it'.<sup>72</sup> Pressure had been brought to bear most harshly over the Rhodesia problem, but also over trade and aid policies, a phenomenon also demonstrated in the wider arena in the UNCTAD. Economically, although the Commonwealth still counted for a quarter of Britain's exports and a quarter of imports, the Commonwealth was moving away from Britain. Multilateralisation in trade also steadily eroded the value of the Commonwealth preference in Britain's market.<sup>73</sup>

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<sup>70</sup> PRO CAB134 2804, EUR(M)(67)18, Commonwealth Negotiating Brief, Secretaries, 30 June 1967

<sup>71</sup> PRO CAB129 129, C(67)55, Sector Report on Kennedy Round Negotiations, President of the Board of Trade, 14 Apr. 1967; Evans, *Kennedy Round*, p.271

<sup>72</sup> PRO CAB129 129, C(67)59, The Value of the Commonwealth, Commonwealth Secretary, 24 Apr. 1967

<sup>73</sup> *ibid.*

In addition, specific changes for certain commodities eased the burden of reverse preferences the Commonwealth countries would face. The two difficult products for the countries ineligible to associate were tea and textiles. Tea represented 87% of Ceylon's exports to Britain and 41% of India's and the government did not want to face the prospect of rising prices for this nationally important drink.<sup>74</sup> In 1962, the Six had agreed to reduce the common external tariff on tea to zero, an agreement extended in 1964.<sup>75</sup> It had proved more contentious to find agreement for textiles in 1962 as the Six did not want to subject their own textile industries to low duty, high quality competition. Agreement had been reached that Britain would gradually adopt the external tariff subject to remedial action if either the exporters suffered or the Community became swamped in cheap cotton.<sup>76</sup> On cotton textiles, the British were keen to share the burden of imports and acknowledged in any case that the British tariffs were higher than Community ones.<sup>77</sup> For other tropical products important to the Asian Commonwealth, including manufactured sports products like cricket bats and polo sticks, Britain would seek to revive the nil tariff 1962 arrangement. Processed goods important to other Commonwealth countries not essential to Community markets – kangaroo meat being the most frequently used example – should also receive a nil tariff.<sup>78</sup>

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<sup>74</sup> PRO CAB134 2813, EUR(M)(67)19, Negotiating Objectives on Protective Tariffs, Secretaries, 30 June 1967

<sup>75</sup> Ludlow, *Dealing, op.cit.*, p.140; PRO CAB134 2813, EUR(M)(67)19, Negotiating Objectives on Protective Tariffs, Secretaries, 30 June 1967

<sup>76</sup> Ludlow, *ibid.*, p.141

<sup>77</sup> PRO CAB129 129, C(67)55, Sector Report on Kennedy Round Negotiations, President of the Board of Trade, 14 Apr. 1967

<sup>78</sup> PRO CAB134 2813, EUR(M)(67)19, Negotiating Objectives on Protective Tariffs, Secretaries, 30 June 1967

Arrangements for Britain's dependent territories and for the African and Caribbean Commonwealth would be easier than in 1961-3. It was established during the Brussels negotiations that dependent territories, except Hong Kong, Gibraltar and the three former High Commission Territories in Southern Africa, would be qualified to associate with the Community under Part IV of the Treaty of Rome.<sup>79</sup> For the dependent countries, this arrangement still stood.<sup>80</sup> Since the collapse of the Brussels negotiations, most of central and southern Africa had become independent – Kenya, Malawi, Northern Rhodesia (Zambia), Gambia, Botswana, Lesotho, Guyana – as well as Malta and the Caribbean island of Barbados. Independence made it more likely that these countries would accept some kind of association with the EEC. Part IV association had seemed in 1961-3 rather too much like an extension of neo-colonial ties, with Ghana's Prime Minister Kwame Nkrumah leading the opposition.<sup>81</sup>

By contrast, the Yaoundé Convention, replacing Part IV in 1964, offered institutional involvement for the participants. It demanded reciprocal tariff cuts, although associates were allowed to retain tariffs for revenue purposes or to protect developing industries.<sup>82</sup> An alternative of individual arrangements was offered by Article 238, under which Nigeria was negotiating an association agreement. Association therefore appeared less of a colonial arrangement and the African states were more willing to accept it as a solution. Kenya, Tanzania and Uganda had already begun association talks

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<sup>79</sup> Ludlow, *Dealing*, *op cit.*, p.142

<sup>80</sup> PRO CAB134 2804, EUR(M)(67)18, Commonwealth Negotiating Brief, Secretaries, 30 June 1967

<sup>81</sup> Ludlow, *Dealing*, *op.cit.*, p.142

<sup>82</sup> PRO CAB134 2804, EUR(M)(67)18, Commonwealth Negotiating Brief, Secretaries, 30 June 1967

and Ghana and Sierra Leone were looking into the possibility. Greece and Turkey were associated under Article 238 and the UK wanted Malta and Cyprus to seek similar arrangements. For Southern Rhodesia, whose Unilateral Declaration of Independence in 1965 led to the severance of trading links with the UK, there was no short-term hope of agreement, but arrangement would be required when the regime returned to legality.<sup>83</sup>

The Commonwealth in fact posed far less of a problem for the Cabinet than agriculture or the balance of payments. Bowden argued that the Commonwealth could not be sustained 'whatever the cost to us might be'. The economic diversification of the Commonwealth was a major factor in its lessening importance in the Cabinet's considerations. Although some ministers highlighted the value of cheap food imports and of the Commonwealth preferences for Britain's exports, most accepted that the developing Commonwealth would continue to diversify its markets if Britain did not turn to Europe. In fact, Britain's membership of the EEC could strengthen the assistance Britain could provide to the Commonwealth by bolstering Britain politically and economically. The relative demise of the Commonwealth as a sticking point was also because the Brussels negotiations had shown arrangements to be possible for the main problems of New Zealand's butter and sugar exports from the Caribbean and Australia.<sup>84</sup> Thus, Britain could hope to find solutions to the most pressing commodities, while avoiding the political difficulties of definite undertakings to protect the interests of the Commonwealth countries.

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<sup>83</sup> *ibid.*

<sup>84</sup> PRO CAB128 42, CC(67)23<sup>rd</sup>, 27 Apr. 1967

## **Britain's world role, April 1967**

In April 1967, economic pressure led to a further decision about Britain's defences, in tandem with the government's EEC discussions.<sup>85</sup> The reorientation of Britain's world role from a global to a regional power continued, but the decision to accelerate withdrawal from Singapore and Malaysia was piecemeal and conducted separately to the decision about European membership. Further defence cuts were necessitated by low economic growth, which led to severe Treasury pressure for public expenditure cuts and so for increased cuts in defence spending as a proportion of this. Current projections aimed to cut spending by £100-125m by 1970-1971, but new pressure demanded savings of up to £200-300m. The decision to withdraw completely from Singapore and Malaysia by 1975-76 was also because Healey insisted on a firm target date for ultimate retreat. The Ministry of Defence was unable to operate with the constantly shifting targets and needed to be able to plan with a firm date in mind. This route would also enable greater savings to be made after 1971.

Healey's desire to plan coincided with Brown's pressure for a real change in foreign policy, wanting a withdrawal from the mainland of Asia as soon as possible. He did not agree with Healey's idea to set 1975-6 as a firm target, partly because it would be politically difficult and also in case the opportunity arose to withdraw more quickly.<sup>86</sup> Both men wanted to retain a force in Australia in order to cushion the blow for Britain's allies, but the OPD

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<sup>85</sup> Michael Carver, *Tightrope Walking: British Defence Policy Since 1945* (London: Hutchinson, 1992), p.80

<sup>86</sup> PRO CAB148 30, OPD(67)14<sup>th</sup>, 22 Mar. 1967; PRO CAB148 80, OPD(67)2, Defence Expenditure Studies, Report by the Official Committee, 20 Mar. 1967

Committee took the view that they should review the retention of an Australian presence during the summer.<sup>87</sup> Keeping a force in Australia meant this was not a move for complete withdrawal from East of Suez, but nevertheless Brown argued that it should be presented as 'a major change in foreign policy'.<sup>88</sup> In the difficult discussions with the Australians, New Zealanders and the US that followed, all were strongly opposed to presenting the rundown in the context of an intention to withdraw altogether from Singapore and Malaysia by the mid-1970s. Nevertheless, the OPD held firm to their intention to present the decision as a major change in foreign policy, keeping a force in Australia.<sup>89</sup> The Cabinet reserved full decision until July and agreed to withhold any public announcement.<sup>90</sup>

Within the Cabinet, there was no discussion of any link between the twin policies of withdrawal from Singapore and Malaysia and membership of the EEC. The only way in which it was mentioned was to stress that it would heighten the irritation of the Australians to have to cope with the blow of the reduction in Britain's defence role and the reverse preferences of EEC membership. In addition, if the EEC application failed, Britain would be left with nothing.<sup>91</sup> The coincidence in timing of the two decisions related only to the economic and domestic political pressure resulting from the July crisis. Yet the diminution of Britain's world role led to a reduction in Britain's influence in the United States and so almost by default augmented the importance of Europe in Britain's international position.

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<sup>87</sup> PRO CAB148 30, OPD(67)14<sup>th</sup>, 22 Mar. 1967, PRO CAB128 42, CC(67)19<sup>th</sup>, 11 Apr. 1967

<sup>88</sup> PRO CAB128 42, CC(67)19<sup>th</sup>, 11 Apr. 1967

<sup>89</sup> PRO CAB128 42, OPD(67)17<sup>th</sup>, 21 Apr. 1967

<sup>90</sup> PRO CAB128 42, CC(67)23<sup>rd</sup>, 27 Apr. 1967

<sup>91</sup> PRO CAB128 42, CC(67)19<sup>th</sup>, 11 Apr. 1967



This was clear as Wilson visited Johnson to discuss Britain's defence changes. Anglo-American relations were weak, Wilson and Johnson's poor personal ties added to the dual crises in Asia of Vietnam and Britain's planned defence cuts.<sup>92</sup> Johnson was wholly opposed to Britain's pulling forces out of the mainland of Asia:

He said that he wondered whether the British government was 'going crazy' in apparently wanting to pull out of its position in South East Asia at a time when its principal allies in the area were fighting communism in Vietnam. The Prime Minister said that as the Foreign Secretary's trip to Washington had made plain, we fully intended to consult our allies about our interests, to which the President retorted 'they're the best damned allies you've got'....The Prime Minister said...he had no doubt that a free vote in the House of Commons would result in a massive majority in favour of far more drastic reductions...It was politically unrealistic to expect the British government not to take account of this opinion, which was fully reflected in the country...In any case, he believed...that what the government were proposing was right...<sup>93</sup>

Johnson's difficulties were increased by the intensification of the war in Vietnam. Now, Johnson wanted a British troop commitment to Vietnam, which Wilson persistently resisted. Agreeing to reconsider Britain's decision on 2 June, Johnson added:

perhaps by 2 June the British might have agreed to send two brigades of troops to Vietnam, and if they did this he could assure the Prime Minister that all his and Britain's financial worries would be at an end. The Prime Minister retorted equally cheerfully that, as he had said to the President at an earlier meeting, even to suggest such a possibility was a libel on his own declared policy and attitude, and any case, if he

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<sup>92</sup> Bartlett, *Special Relationship*, *op cit.*, pp.112-118

<sup>93</sup> PRO PREM13 1480, Palliser reports on Wilson's meeting with Johnson, 25 Apr. 1967

attempted it, he would have no financial worries himself, since he would be out of Office and no doubt doing quite nicely on his memoirs.<sup>94</sup>

Britain's decision to turn to Europe could serve to augment Britain's position with the United States. Wilson showed the considerable financial risk the British were taking to pursue membership with the EEC, helping to illustrate that economic pressure had not completely thrown Britain from an international role. Britain could play a useful and constructive part in guiding Europe out of difficulty, providing a framework for German revival and keeping the Community oriented towards the Atlantic. Only British leadership in Europe would ensure Germany did not revert to nationalism after de Gaulle's departure:

Since the war, one of the main thrusts of Western policy had been to ensure that Germany was able to develop a democratic form of government within the kind of western framework that would prevent any reversion to earlier and more dangerous tendencies there. At present, as the whole pattern of relationships in Europe, between Europe and America and between east and west was changing, it was becoming harder to contain Germany within this kind of system, as current trends in German policy tended to demonstrate.... If Britain were not by then linked with the other European countries within the tight association provided by the Community, the latter would be dominated by a very powerful Germany, about whose political dispositions confident prediction was impossible but anxiety seemed only too justified. The consequences of this would be extremely dangerous not only for France but for the whole of Europe and thus for the US.<sup>95</sup>

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<sup>94</sup> *ibid.*

<sup>95</sup> *ibid.*

With the decision in principle virtually assured following the 20 April discussions, the meeting at Chequers on 30 April that Wilson ordered after his visit to Washington, was something of an anticlimax.<sup>96</sup> There was, however, considerable doubt in the economic departments as to the wisdom of embarking on an application straight away. The first consideration related to the interplay between an application and the Kennedy Round. On 30 June the American Trade Expansion Act, providing the government with the authority to make the sweeping reductions, would expire. Inability to complete by this time would doom the negotiations to failure. The British and Americans feared that the French could use the British application to delay the talks.<sup>97</sup> Dean Rusk urged the British to go ahead on political grounds as the Kennedy Round was nearly complete in any case, but there was doubt in the US administration as to the wisdom of jeopardising the final stages of the talks.<sup>98</sup>

Anxiety in Britain resulted from the risks of complicating the tactics for both the European application and the trade talks. In the steel sector, for example, Britain had been encouraged to make concessions in order to smooth a path into the Community.<sup>99</sup> The lack of co-ordination between the two issues had been demonstrated in the Cabinet in March, when the Cabinet had realised that pressing for the greatest reductions in the common external tariff could work to Britain's disadvantage once Britain was a member of the Community.<sup>100</sup> Trend had also pointed out the potential confusion of having to implement the Kennedy Round tariff agreements and adopt the common

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<sup>96</sup> Wilson, *Labour, op cit.*, p.388

<sup>97</sup> PRO FCO30 189, Brief no. 4, Britain and the EEC, 11 Apr. 1967; PRO CAB130 316, MISC(67)3<sup>rd</sup>, 7 Apr. 1967; CAB134 2813, EUR(O)(67)12<sup>th</sup>, 4 Apr. 1967

<sup>98</sup> PRO PREM13 1479, Washington to FO, tel.1246, 18 Apr. 1967, *FRUS*, Western European Region 1964-1968, vol.xiii, doc.247, conversation Rusk and Brown, 18 Apr. 1967

external tariff at the same time. He concluded that Britain would have to press on protecting her interests in the trade talks regardless of her future position.<sup>101</sup>

Similar difficulties of tactics were also noted in international liquidity discussions. Inability to side with the EEC's position made it easy for the French to portray Britain as America's Trojan Horse. Recently the Six had met and suggested adoption of drawing rights rather than a new reserve unit and persisted in their demand for 85% of the weighted majority vote in the IMF, effectively providing the EEC with a veto. The need to build support for the Six created tactical entanglements in directly opposing the EEC's demands, although the British were not supporters of this particular request.<sup>102</sup>

Secondly, the Treasury and the economic advisers were opposed to an immediate application for economic reasons. For the Overseas Division of the Treasury, this was because they were certain it would fail.<sup>103</sup> Commitment to membership would compel British to adopt policies otherwise contrary to their interests in order to appease European opinion.<sup>104</sup> Frank Figgures, Britain's ambassador to EFTA, argued that the application would circumscribe Britain's freedom of action, forced to adopt tariff policies to fit in with the EEC without the assurance of EEC membership.<sup>105</sup> This could be particularly damaging to EFTA's interests, as EFTA and the Board of Trade did not want to re-impose tariffs against EFTA countries if Britain did join the EEC.<sup>106</sup>

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<sup>99</sup> PRO CAB129 129, C(67)55, Kennedy Round: Sector Report on Negotiations, President of the Board of Trade, 14 Apr. 1967

<sup>100</sup> PRO CAB 128 42, CC(67)15<sup>th</sup>, 23 Mar. 1967

<sup>101</sup> PRO PREM13/1869, Trend to Wilson, 30 Jan. 1967

<sup>102</sup> BOE, OV53 52, Report on the Munich meeting of the Six, Hubback, 17-18 Apr. 1967; Marjoribanks to O'Neill, 21 Apr. 1967; Reilly to O'Neill, 27 Apr. 1967

<sup>103</sup> PRO T312 1019, Owen to Figgures, 14 Apr. 1967; Ashford to Owen, 13 Apr. 1967

<sup>104</sup> PRO T312 1020, Figgures to Edwards, 26 Apr. 1967

<sup>105</sup> *ibid.*

<sup>106</sup> PRO PREM13 1478, Jay – Wilson conversation, 10 Mar. 1967; PRO T312/1019, Copenhagen to FO, tel.115, 18 Apr. 1967

More seriously, the prospect of an application raised again the risk of precipitating a sterling devaluation as speculators reacted to the quite widespread expectation that Britain would be unable to enter the Community without devaluation. The US Treasury and Federal Reserve feared that an application would spur devaluation.<sup>107</sup> In the International Economic Arrangements Committee, dominated by the two economic advisers Balogh and Kaldor, the case was made again that because of the detrimental effect on British prices and costs, Britain would have to devalue before entry.<sup>108</sup>

The DEA's Derek Mitchell vigorously opposed, arguing that by focusing on the negative effects of entry, the report ignored the potentially worse effects of staying out of the Community.<sup>109</sup> The support of the CBI for membership and the prospect of increased investment added to the opportunity for expansion of the UK capital market in Europe were all factors that smoothed the prospect of British membership.<sup>110</sup> In contrast to his stated views the previous October, William Armstrong wrote that a change in the rate of exchange 'was neither necessary nor appropriate'. The new economic strategy, announced in the 11 April Budget, based on unemployment, low growth and expenditure cuts abroad, would bring the balance of payments surplus necessary to meet the requirements of membership.<sup>111</sup> By the time Britain faced the balance of payments cost of entry, Britain would have paid off the IMF debt and so could use the surplus previously employed paying off the

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<sup>107</sup> PRO FCO30 166, Washington to FO, tel.1376, 26 Apr. 1967

<sup>108</sup> PRO CAB129 129, C(67)61, The Balance of Payments, Cabinet Secretary, 27 Apr. 1967; see also Cairncross, *Diary, op.cit.*, p.209, 13 Apr. 1967

<sup>109</sup> PRO CAB130 316, Dissenting note by DJ Mitchell, 21 April 1967

<sup>110</sup> PRO CAB129 129, C(67)61, The Balance of Payments, Cabinet Secretary, 27 Apr. 1967

<sup>111</sup> Cairncross, *Managing, op.cit.*, pp.159-160

debt to cope with the strain.<sup>112</sup> Trend also submitted a paper arguing that the economic measures had been taken to ensure growth and therefore it was essential to assume that they would work.<sup>113</sup>

Armstrong and Trend's public stance was a long way from the reality of official behind-the-scenes thinking. Officials in fact had little choice other than to endorse publicly the government's economic policies for fear of setting off the spiral of adverse speculation.<sup>114</sup> In the 'Forever Unmentionable' Committee, established in 1965 in which Treasury officials secretly made contingency plans for devaluation, the decision to apply accelerated such planning. Samuel Brittan recorded that the EEC application was the most significant feature in precipitating devaluation: 'once devaluation was thinkable in one context, it was thinkable in another'.<sup>115</sup>

A paper produced in June revealed that the application altered the Treasury's contingency planning, as the timing of devaluation needed consideration in relation to potential negotiations for membership. Officials' expectation was overwhelmingly that Britain would be unable to enter the EEC without a change in the parity. The paper stated that despite the optimistic assessments of the papers mentioned above, 'unfortunately these medium term projections have no compelling evidence to justify them'.<sup>116</sup> The balance of payments cost of membership, taking into consideration payments into the agricultural fund and changes to investment patterns was likely to be

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<sup>112</sup> PRO CAB130 316, MISC143(67)5<sup>th</sup>, 21 April 1967; Cairncross, *Diary, op.cit.*, p.209, 13 May 1967

<sup>113</sup> PRO CAB129 129, C(67)61, Balance of Payments, Cover Note, Cabinet Secretary, 27 Apr. 1967

<sup>114</sup> Cairncross, *Diary, op.cit.*, p.209, 13 May 1967

<sup>115</sup> Brittan, *Steering, op.cit.*, p.226

<sup>116</sup> BOE, OV44 136, FU(67)1, Contingency Planning: Entry into Europe, June 1967; these files have not been found in the Treasury, although FU planning exists from 1965-1966 T312 1398-1401 and 1635-1637

between £250m and £600m. Adding the import cost of food would increase this bill by a further £150-350m. Avoiding devaluation would be impossible, as speculators would sell sterling in anticipation. It could even be to Britain's interests to devalue beforehand, as devaluation would be difficult from the inside and because the agricultural prices were defined in units of gold, any devaluation would increase the domestic price of food and cause inflation.<sup>117</sup> The Committee, chaired by Armstrong, reiterated that contingency planning did not mean they supported devaluation, yet many in the Treasury did believe devaluation to be inevitable.<sup>118</sup> Added to this, the European application was thought to make devaluation more likely.

The looming prospect of devaluation was evident as a restricted session of ministers debated devaluation at Chequers, while the Cabinet prepared to complete their talks on EEC membership. Trend indicated that Britain would need a stronger economy if Britain were to enter Europe as this would impose a greater pressure on the balance of payments that could not be handled by further deflation. Membership would either require deeper cuts in defence expenditure or in exchange rate policy.<sup>119</sup> Wilson plainly did not want to devalue, but argued that if it did transpire to be necessary, it would have to be discussed in a very small group of ministers in order to maintain secrecy.<sup>120</sup> Keeping devaluation off the public agenda was therefore the government's priority in thinking about sterling and the application. Yet the application itself appeared to make a sterling devaluation that much more likely. The Cabinet

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<sup>117</sup> *ibid.*

<sup>118</sup> BOE OV44 136, FU(67)2<sup>nd</sup>, 16 June 1967

<sup>119</sup> PRO CAB128 46, CC(67)25<sup>th</sup>, 30 Apr. 1967 10.30am; Hennessy, *Prime Minister, op.cit.*, p.314

<sup>120</sup> *ibid.*

were aware of this, Callaghan arguing that he would resign if the government did devalue.<sup>121</sup>

At the Sunday meeting, the last lengthy discussion before the full Cabinet formally accepted the statement to the Commons at Downing Street the next Tuesday,<sup>122</sup> both economic and political arguments were expounded in now familiar terms. Without membership, Britain would not be able to command any political influence in the world and only British membership would offer a counterweight to German influence after de Gaulle's departure. Wilson added, in view of his discussions with Johnson, that failure to join would condemn Britain to following American policies in South East Asia: Britain would be forced to join the USA in Vietnam.<sup>123</sup> This was an indication of a shift in thinking, reflected also in Britain's decision in February to reject America's offer of a long-term loan to assist with balance of payments problems.<sup>124</sup> Only through membership of the EEC could Britain shore up international influence and retain political independence. Joining with the United States in a North Atlantic Free Trade Area would place Britain in a position of subordination to America's might.<sup>125</sup>

Economically, Britain needed to encourage investment and to take advantage of a larger market and a larger economy. Brown set out a range of options between not applying, having more discussions and making an application. Opposition appeared minimal, Gordon-Walker remembering that only Peart and Marsh held out against an application in principle, although the

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<sup>121</sup> See Crossman, *Diaries*, vol.2, *op.cit.*, pp.335-336, 30 Apr. 1967; Pearce (ed.), *Gordon-Walker Diaries*, *op.cit.*, p.313, 30 Apr. 1967

<sup>122</sup> PRO CAB128 42, CC(67)27<sup>th</sup>, 2 May 1967

<sup>123</sup> PRO CAB128 42, CC(67)26<sup>th</sup>, 30 Apr. 1967; 2.45pm

<sup>124</sup> Ponting, *Breach*, *op.cit.*, pp.56-57



addition of Castle, Jay and Scottish Secretary Ross would seem a more accurate representation of their views.<sup>126</sup> The other ministers accepted to varying degrees that Britain would have to make an application. Partly, this was because they had little choice but to continue to advance the government's position: 'others expressed the view that this [not applying] was now politically impractical – although they would have preferred not to apply – because the government's freedom of action was so circumscribed by momentum which had built up and stimulated in favour of entry'. At least Healey, Bowden, and Greenwood favoured postponement.<sup>127</sup> Only Jay seriously considered resignation. He decided against on the basis that the Cabinet had not taken any decisions on the terms under which Britain would go in: as indicated above, on the CAP, Wilson had pledged that permanent safeguards would be necessary.<sup>128</sup>

The remaining ministers in favour numbered thirteen, adding Gordon-Walker, Callaghan and Cledwyn Hughes to Crossman's list of Wilson, Stewart, Brown, Jenkins, Crosland, Gardiner, Benn, Gunter, Elwyn Jones, and Longford.<sup>129</sup> Not only did they accept that Britain would make an application for membership, they also agreed that this should be free from mention of prior safeguards.<sup>130</sup> The 'conditions' to defend Britain's interests would be

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<sup>125</sup> PRO CAB129 129, C(67)52, Alternatives to Membership of the EEC, Cabinet Secretary, 30 Apr. 1967

<sup>126</sup> Pearce (ed.), *Gordon-Walker Diaries, op.cit.*, 30 Apr. 1967, p.312; Castle, *Diaries, op.cit.*, p.126, 30 Apr. 1967; Crossman, *Diaries, vol.2, op.cit.*, p.336, 1 May 1967

<sup>127</sup> Pearce (ed.), *ibid.*; Crossman, *ibid.*

<sup>128</sup> Jay, *Change, op.cit.*, p.389

<sup>129</sup> Crossman, *ibid.*; Gordon-Walker includes also himself, which seems therefore to be likely, Callaghan, who did favour the bid, and Hughes, who Castle says 'toed the Wilson line predictably', Castle, *Diaries, op.cit.*, p.126, 30 Apr. 1967; Pearce (ed.), *Gordon-Walker Diaries*, p.312, 30 Apr. 1967

<sup>130</sup> Pearce (ed.), *ibid.*

discussed in a statement to the House at the same time as the application.<sup>131</sup> Thus, in a mixture of resigned acceptance, bored awareness of Wilson's tactics and the unreality created by the probability of de Gaulle's veto was the second application for membership of the EEC accepted. At the root of it all the Cabinet were aware that they had no alternative. Particularly with the risks facing sterling, the planned withdrawal from Singapore and Malaysia and the cooling of the Anglo-American relationship, the British literally had nowhere else to go.

It would seem, however, that the factor swinging Cabinet's acceptance of the principle of going in was the government's economic failure. Crossman made clear the role of economic collapse in ministers' acceptance of the decision:

The other shift in opinion relates to our own economy. Those who are in charge... all now felt that the attempt to have a socialist national plan for the British Isles keeps us balanced on such a terribly tight rope that it really has got to be abandoned and that of course is the main reason why they favour entry into the Market... Up to the July freeze it was still possible to believe that we in the Wilson government would strip ourselves of the sterling area, withdraw from East of Suez and take the Swedish line of socialism. We could have done that a year ago but now it is felt by almost everyone that it is too late.<sup>132</sup>

Tony Benn added that the sense of failure, resulting from the collapse of the National Plan, was the underlying reason for the Cabinet's acceptance, leading them also to accept the minimal conditions attached to Britain's membership:

Those of us who favoured the application were not too worried about the conditions because we

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<sup>131</sup> PRO CAB128 42, CC(67)26<sup>th</sup>, 30 Apr. 1967, 2.45pm

<sup>132</sup> Crossman, *Diaries*, vol.2, *op.cit.*, 30 Apr. 1967, p.335

were a defeated Cabinet. Going back to the war, we had tried as a Labour Government to solve the country's economic problems and we had left in a balance of payments crisis in 1951. The Tories had tried and had left in the balance of payments crisis in 1964. We had tried and had had to put the brakes on in 1966, and we were now looking for solutions to our problems from the outside and somehow we were persuaded that the Common Market was the way of making progress.<sup>133</sup>

Thus, acceptance that there was no alternative resulted only from the collapse of the government's economic aspirations. It was not the merits of the political case that brought the Cabinet to agree, but the fact that they had failed to create the economic base to pursue alternative policies. The decision was not an economic choice, but an economic and political necessity, forced upon the Cabinet by economic failure.

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<sup>133</sup> Benn, *Wilderness*, *op cit.*, p.496

## 6. The Long Haul to Membership, May – December 1967

There can be no serious challenge to the widely-held assumption that Britain's application failed because of General de Gaulle's political opposition to British membership.<sup>1</sup> The British could not convince him to admit Britain because he sought a Europe free from Atlantic influence and led by the French, a goal pursued also in his actions against NATO.<sup>2</sup> British attempts to elicit a change in de Gaulle's bar to accession were two-fold. First, Wilson did want to negotiate a deal with the General, an objective never likely to succeed. It derived from his political conception of the Community and was composed around the creation of technological links between Britain and the EEC.

Second, Brown wanted to show that Britain could accept the Treaty of Rome, delivering Britain's negotiating position to the WEU on 4 July. Such an approach, he mistakenly believed, would encourage the Five to stand up to de Gaulle and so force the General to yield. Brown's policy failed because the Five were reluctant to evoke a breach in the Community. Each had too much vested in the continuation of the EEC and in the completion of the 1969 review to risk antagonising de Gaulle to the point of his withdrawal. The Germans in particular were politically unwilling to pressure de Gaulle and Britain's economic weakness provided a further justification for delay. Yet, while German hesitancy facilitated de Gaulle's diplomatic task, after July 1967 heavier German pressure would simply have brought de Gaulle's veto forward. Similarly, while devaluation of sterling in November 1967 provided

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<sup>1</sup> Young, *Britain, op.cit.*, pp.100-101; Greenwood, *European Co-operation, op.cit.*, p.92; Reynolds, *Britannia, op.cit.*, p.218

<sup>2</sup> Bozo, *Two Strategies, op.cit.*, p.143

the façade for de Gaulle's decisive verdict, indications were that de Gaulle was already planning his rejection.

The story of Britain's second application is not just a straight tale of misperception and failure. While Wilson and particularly Brown did hope to accede in the short-term, the application also established a long-term case for entry. In 1963, de Gaulle had been able to legitimise his veto by pointing out the ways in which the British contributed to their own exclusion. Britain could not accept the rules of the Community. De Gaulle was therefore able to elude the repercussions of a political veto, avoiding strong objections from the Five and from the USA.<sup>3</sup> Rather, de Gaulle was able to show that support for Britain was opposition to the Community, so equating French actions with the interests of European Community development.<sup>4</sup>

In 1967, the British clearly won the long-term war. The Five, the British, the US and opinion in France knew that Britain would accede to the European Community once de Gaulle was gone.<sup>5</sup> This was confirmed at the Council of Ministers on 19 December, when de Gaulle was evidently alone in his view that negotiations should not start. Furthermore, the Five accepted that enlargement was the path to wider European unity: de Gaulle could thus no longer claim that French interests were commensurate with the interests of the developing Community. De Gaulle's ultimate defeat was replicated in wider developments in NATO, where the Fourteen were successfully meeting the challenge of French withdrawal without pushing the French out of the Alliance. The Harmel Report for a NATO role in East-West détente, the doctrine of flexible response, the NPG and steps towards non-proliferation

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<sup>3</sup> Ludlow, *Dealing*, *op.cit.*, pp.206-212, 239-240

<sup>4</sup> Ludlow, 'EC Response', *op.cit.*

were all signs that NATO would survive without the French. Conversely, they also showed the limits of the French experiment.<sup>6</sup> Britain's EEC application could contribute to these wider policy goals, but it was not, as has been suggested, a necessary part.<sup>7</sup> Isolating de Gaulle at the expense of Britain's bid did not constitute success. The Harmel Report to establish a role for the NATO in the pursuit of détente and NATO reorganisation were ongoing separately to Britain's EEC bid and were independently successful in undermining de Gaulle's European vision.<sup>8</sup>

The long-term success of Britain's second application has been used to augment the policy achievements of Harold Wilson. Uwe Kitzinger argued: 'if Labour had won the 1970 election...it would have been for Harold Wilson to have collected the prizes for European statesmanship... he would have amply deserved them and for his earlier historic role, deserves them anyway'.<sup>9</sup> It cannot be denied that the second application laid the foundations for the third.<sup>10</sup> Yet, Wilson's shift to Europe continued to be dispassionate and reluctant. Cabinet's agreement to persist with the application after de Gaulle's rebuff was Britain's only option, rushed through the Cabinet with little discussion.<sup>11</sup> Britain's turn to Europe in 1966 had been born from defeat: the consolidation of this tilt emerged from the more complete defeat of devaluation and the veto.

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<sup>5</sup> *ibid.*

<sup>6</sup> Bozo, *Two Strategies*, *op.cit.*, pp.187-213

<sup>7</sup> Kaiser, 'British EEC Applications', *op.cit.*, pp.61-72

<sup>8</sup> Ellison, 'Britain's Place', *op.cit.*

<sup>9</sup> Kitzinger, *Diplomacy*, *op.cit.*, p.293

<sup>10</sup> Hannay, *O'Neill*, *op.cit.*, p.10

<sup>11</sup> PRO CAB128 42, CC(67)69<sup>th</sup>, 30 Nov. 1967; CC(67)73<sup>rd</sup>, 20 Dec. 1967

## **The Application and the May Press Conference**

The Labour Government's application was exactly as the Foreign Office had advised: simple and uncluttered. In a one-line statement, the government dispatched a letter to the institutions and governments in the Community declaring that the UK applies 'for membership under Article 237 of the Treaty of Rome' and Article 98 of the Treaty of Paris.<sup>12</sup> Wilson dealt with the 'conditions' of membership in a statement to the House of Commons on 2 May, outlining the problems Britain would face upon accession, but not promising changes in advance of membership. He stated that it would not be problematical for Britain to accept the Treaty of Rome. Negotiations 'ought not to be unnecessarily complicated with lesser issues, many of which can be best dealt with after entry'.<sup>13</sup> Nevertheless, there were problems, mainly the CAP's impact on the cost of living and structure of agriculture.

The only specific safeguards Britain sought in advance were for New Zealand's agricultural exports and for sugar exports from the countries protected by the Commonwealth Sugar Agreement. Wilson emphasised that agricultural levies would 'involve an inequitable sharing of the financial cost and impose on our balance of payments an additional burden which we should not, in fairness be asked to carry'.<sup>14</sup> Yet, he did not expressly state that Britain would require safeguards in advance. For capital movements and regional policies, he suggested that adequate provisions would be obtainable.<sup>15</sup> On sterling, Wilson hedged. He suggested that there could prove to be unwelcome

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<sup>12</sup> PRO FCO30 91, FO to Brussels, tel.439, 6 May 1967

<sup>13</sup> Hansard, *House of Commons Debates*, 5<sup>th</sup> series, vol.746, col.311, 2 May 1967

<sup>14</sup> *ibid.*, col.312

<sup>15</sup> *ibid.*, cols.312-313

short-term economic effects, but asked MPs to 'make up your own mind'. In the long-term, the creation of a large single market would provide enormous incentive for British industry.<sup>16</sup> In *The Economist*, the bid was presented as 'unconditional'.<sup>17</sup> The Commons vote recorded a massive 488 in favour with 62 against. The Labour Party's endorsement was far from overwhelming, as despite the three-line whip, 36 MPs voted against the motion and 50 abstained.<sup>18</sup> Nevertheless, the decision established a 'critical mass' in favour of a European future and this was important in giving force to the bid in the Community.<sup>19</sup>

The Five immediately praised the simplicity of the application. Pescatore, the Secretary-General of the Luxembourg Ministry of Foreign Affairs, echoed widespread opinion in praising the clarity of the application and arguing this would make it difficult to refuse.<sup>20</sup> Press coverage throughout the Six commented favourably on the impressive Commons majority supporting the application.<sup>21</sup> Britain's ambassador in Paris, Patrick Reilly, considered that Britain's 'speed and assurance' had left de Gaulle uneasy.<sup>22</sup> The Dutch and German press reported admiration for Wilson's courage, with the usually hostile Christian Social Union (CSU) paper *Munchner Merker* suggesting that Wilson had staked his future on the bid and so it had to be

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<sup>16</sup> *ibid.*, col.313

<sup>17</sup> *The Economist*, 'It's a Blank Cheque', 6 May 1967

<sup>18</sup> Anne Deighton, 'The Second Application For Membership of the EEC', Loth (ed.), *Crises, op.cit.*, p.396

<sup>19</sup> See also Young, *Blessed op.cit.*, pp.195-196; Kitzinger, *Diplomacy, op.cit.*, p.288

<sup>20</sup> PRO FCO30 91, Malcolm to Statham, 11 May 1967; Simpson-Orlebar to Cambridge, 11 May 1967; Rome to FO, tel.415, 12 May 1967

<sup>21</sup> PRO FCO30 91, Rome to FO, tel.413, 12 May 1967; Paris to FO, tel.426, 12 May 1967; The Hague to FO, tel.181, 12 May 1967; Bonn to FO, tel.767, 12 May 1967

<sup>22</sup> PRO FCO30 169, Paris to FO, tel.418, 11 May 1967



taken seriously.<sup>23</sup> The problems of British accession did not, however, go unnoticed. *Il Graobo*, the Italian Conservative financial paper was alarmed at Britain's uncertainty about agricultural levies and did not want old difficulties in the Six over agriculture to be reopened.<sup>24</sup> France's *La Croix* commented that Wilson was insisting on an unreasonably short interval to decide on negotiations. Influential officials in the Auswärtiges Amt, such as Dr. Harkort, did not hide their feelings that the most optimistic assessment was a meeting before the summer break at which the British could state their case.<sup>25</sup> Nevertheless, the British considered that they had done enough in issuing a straightforward application. Brown wanted no follow up action with Couve de Murville. The facts of the application – that Britain attached no conditions to accession – could speak for themselves.<sup>26</sup>

Reilly argued in January that had the government been able to state full acceptance of the CAP, de Gaulle's job of obstruction would have been significantly more difficult: 'I could not, however, honestly say that the government had yet made it impossible for the General to persuade the French public that the economic obstacles were too great for British entry to be acceptable... we should be able to say that we accepted the CAP as well as the Treaty of Rome'.<sup>27</sup> The period immediately after the launch of the application, when expectations and momentum built on the probe were still high, offered the best opportunity to force de Gaulle to give way. De Gaulle was able to instil delay by using Britain's equivocation over the CAP in his 16 May press

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<sup>23</sup> PRO FCO30 91, The Hague to FO, tel.181, 12 May 1967; Bonn to FO, tel.767, 12 May 1967

<sup>24</sup> PRO FCO30 91, Rome to FO, tel.415, 12 May 1967

<sup>25</sup> PRO FCO30 91, Paris to FO, tel.426, 12 May 1967; Bonn to FO, tel.765, 12 May 1967

<sup>26</sup> PRO PREM13/1482, FO to Paris, tel.1206, 12 May 1967

<sup>27</sup> Bodleian Library Reilly Papers, Uncatalogued Memoir, Paris 1967

conference to show that British and EFTA accession would fundamentally alter the nature of the Community. In so doing, he raised the practical question as to whether the Six could embark on enlargement before the 1969 agricultural review and the end of the transitional period in 1970. This was enough to raise fears amongst the Five that France might withdraw from the Community and forced them to fall into line behind de Gaulle's procrastination. Wilson may have given de Gaulle opportunity to ensure just this. His discussion of the problems of accepting the CAP enabled de Gaulle to rebut the Prime Minister's statement in very similar terms as those used in his press conference of 14 January 1963.<sup>28</sup>

De Gaulle began by stressing that there was no question of a French veto. Picking on Wilson's avowal that Britain could accept the Treaty of Rome, he argued that the Six had added countless regulations to the Treaty, 'involving a minutely determined equilibrium between the various interests of the member states'. Accession of four new applicants would upset this equilibrium:

to introduce new and massive factors now in the midst of those which have been reconciled with such difficulty would obviously mean bringing both the structure as a whole and the details back into question and setting the problem of an entirely different venture.<sup>29</sup>

The strength of his case lay in showing that Britain's extra-European interests made her incompatible with the closely-knit Community system.<sup>30</sup> He emphasised that Britain, an island with ties to the Commonwealth and the

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<sup>28</sup> Ludlow, *Dealing*, *op.cit.*, pp.206-212

<sup>29</sup> De Gaulle's Press Conference, 16 May 1967, Kitzinger, *Second*, *op.cit.*, p.180; PRO FCO30 170, Paris to FO, tel.440, 16 May 1967 and tel.443, 17 May 1967

United States, required an 'exceptional and very long time-limit' to adapt to the Treaty and wanted essential changes to the Treaty's application. Acceptance of the agricultural arrangements for the UK would be impossible as it would 'crush' Britain's balance of payments, because of the levy payments, and force up the price of food and thus industrial costs in Britain. Alternatively, admitting Britain without her acceptance of the Six's agricultural regulations would 'upset completely the balance of the whole Common Market and rob France of one of her chief reasons for being a member'.<sup>31</sup> The implication was clear: British accession before 1969 could lead to French withdrawal.

Britain's balance of payments problems provided de Gaulle with an additional argument that served to emphasise the UK's political and economic weakness and incompatibility with membership. He highlighted the real dangers to the balance of payments that Britain would face by accepting the Community's provisions for capital movements. Exchange controls in Britain to protect the balance of payments prevented the free flow of capital out of the country. Isolating the problem of the balance of payments in this way, de Gaulle linked the immediate economic difficulties of accession to the political orientation of the United Kingdom. Sterling's role as a reserve currency heightened Britain's economic difficulties. Not only were the Six's currencies strong, but the fact of the reserve currency would leave Britain unable to participate in the spirit of co-operation characterising the Six's approach to international liquidity talks:

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<sup>30</sup> See also *The Times*, 'Gen [sic] de Gaulle says it again: British association conceivable, fusion of policies impossible', p.1, 17 May 1967

<sup>31</sup> De Gaulle's Press Conference, 16 May 1967, Kitzinger, *Second, op.cit.*, p.183

monetary parity and solidarity are essential rules and conditions of the Common Market and can assuredly not be extended to our neighbours across the Channel unless Sterling presents itself one day in a new position, with its future value seemingly secure, freed, like the others, from its reserve currency role and with the burden of Great Britain's debit balances inside the Sterling Area having been eliminated.<sup>32</sup>

The reserve role of sterling could also stand as the test-case for Britain's extra-European interests. The Six wanted an entity that was European in economics and politics. Invoking the notion of a 'European Europe', de Gaulle emphasised Britain's 'special relations' with the USA, 'privileged relations with the Commonwealth', and 'special commitments' throughout the world. British accession would irrevocably change the nature of the Community. Returning to a well-worn theme, de Gaulle suggested that the Six and the applicants could renegotiate a whole new Treaty, Britain could associate with the Treaty of Rome or the world could wait until Britain's evolution to the continent was complete. 'If, one day, Britain reached this stage, how wholeheartedly France would welcome such a historic conversion'.<sup>33</sup> Thus, while denying that he was issuing a veto on British accession, de Gaulle was able to show, as he had in 1963, that Britain remained insufficiently 'European' to take on the obligations of membership.<sup>34</sup>

The essential difference between 1963 and 1967 was Britain's determination to continue in the face of the blatant Gaullist challenge. In 1963, the British had been unable to sustain the impulse towards membership, largely because the public shattering of the prospects for entry removed a

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<sup>32</sup> *ibid.*, p.184

<sup>33</sup> *ibid.*, p.188

<sup>34</sup> *The Times*, 'Gen [sic] de Gaulle says it again: British association conceivable, fusion of policies impossible', p.1, 17 May 1967

coherent framework for steps towards the Community.<sup>35</sup> In 1967, public opinion accepted it as reasonable for the British to press on towards membership regardless of French obstructionism.<sup>36</sup> Informed opinion supported the government in their bid to get into the Community. *The Times* commented: 'there can no longer be any faint hope that the walls will fall at the sound of the trumpet. Indeed, it may well be argued that there is no hope of moving the General and that the best plan, therefore, is to prepare the ground for the day when he is no longer at the head of affairs in France'.<sup>37</sup> *The Economist* added: 'Curious things have been happening in Europe which suggest that the tide is running the right way. It certainly will not carry Mr. Wilson to harbour as long as the general [sic] has his way. But there is a lot that can be done in the next couple of years while everyone is waiting for the general to quit the scene'.<sup>38</sup>

De Gaulle's ability to deliver an immediate rebuff showed his understanding of the strength of his position in France and in the EEC.<sup>39</sup> This instilled delay in the consideration of Britain's application that meant de Gaulle would eventually be able to veto. Yet, the currents of opinion working against de Gaulle, both inside and outside France, were stronger than they had been in 1963. In France, Independent Republican Giscard d'Estaing was leading anti-de Gaulle opinion.<sup>40</sup> In NATO, de Gaulle's self-imposed isolation allowed the Fourteen formally to adopt the doctrine of flexible response on 9 May. The removal of the French from discussions had enabled compromise to

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<sup>35</sup> See Ludlow, *Dealing*, *op.cit.*, pp.226-228

<sup>36</sup> Ludlow, 'The EC Response', *op.cit.*

<sup>37</sup> *The Times*, Leader Comment, 'Not Taking Non for an Answer', p.9, 17 May 1967

<sup>38</sup> *The Economist*, 'Not Absolutely Like 1963', p.884, 27 May 1967

<sup>39</sup> Sir Michael Palliser, Interview with author, 24 Aug. 1999

be reached on the enhancement of conventional defence in the event of a Soviet attack.<sup>41</sup> De Gaulle's vision for a 'European Europe' over the longer-term would not survive.

Britain's response to de Gaulle's rebuke was to return to the tactics already established, reiterating the strength and simplicity of their underlying case. Wilson's persistence was stiffened by Palliser, whose words were later circulated in Whitehall as Wilson's own. Palliser advised Wilson: 'all this is a war of nerves – to see if your nerve is as strong as the General's. My money is confidently on yours! My advice is bash on regardless, and I give it because it is precisely what he does not want you to do'.<sup>42</sup> The Foreign Office issued guidance to the Community members, stating that Britain accepted the Treaty of Rome and the principles of the CAP and urging the Six to respond. No state had said during the tour that British accession would prove impossible.<sup>43</sup>

Despite the obvious isolation of de Gaulle's opinion on Britain's entry, the British still failed to elicit early discussions of their membership bid. De Gaulle's impeccable sense of timing and tactics did help to subdue the potential will of the Five to push for early negotiations. De Gaulle took opinion by surprise with his swift and unequivocal response, Reilly indicating that the press conference was 'more negative than I expected'.<sup>44</sup> Hervé Alphand, Secretary General at the Quai d'Orsay, spread the word that de Gaulle did intend to prevent the opening of negotiations, rather than procrastinate during Anglo-Six talks. Brown responded that the strength of the

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<sup>40</sup> *The Economist*, 'Not Absolutely Like 1963', p.884, 27 May 1967; 'What Will He Say', p.652, 13 May 1967; Bodleian Library, Reilly Papers, Uncatalogued Memoir, Paris 1967

<sup>41</sup> Bozo, *Two Strategies*, *op cit.*, pp.201-203

<sup>42</sup> PRO PREM13 1482, Palliser comments on O'Neill to Gore-Booth, 18 May 1967

<sup>43</sup> PRO FCO30 170, FO Guidance tel.102, 16 May 1967

French response was 'very disagreeable'.<sup>45</sup> The indication that de Gaulle would not permit the opening of negotiations shifted the tone of the Five's reaction. The German Economics Minister, Schiller stated that the Germans wanted to play a role of mediation between the British and the French.<sup>46</sup> Conrad Ahlers, deputy spokesman for the Federal Government gave a briefing, reported in the front pages of *The Guardian* and *The Express*, to the effect that the Germans would not promote British entry.<sup>47</sup> In Brussels, Harmel continued to insist on the opening of negotiations, but stressed that the Belgians did not want to indulge in 'public polemics' with the General.<sup>48</sup> The Belgian Ambassador hoped the British would not attempt to drive a wedge between the French and the Five.<sup>49</sup> The Italian press took the view that Italian ministers would be unwilling to defy de Gaulle's pressure for delay.<sup>50</sup>

De Gaulle then turned attention to the Six's scheduled Rome Summit, meeting Britain's bid by offering progress in the two related areas of technological and political development.<sup>51</sup> April 1967 had seen the first NPG meeting, formalising West Germany's and Italy's participation in consultations on nuclear strategy in NATO.<sup>52</sup> The NPG diminished the attraction of a 'European Europe' based around the French *force de frappe*, but the Italians in particular were keen to make advances in technological collaboration between the Six. They wanted to close the gap between the US

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<sup>44</sup> PRO FCO30 170, Reilly to FO, tel.439, 16 May 1967; *The Times*, 'Gen [sic] de Gaulle says it again: British association conceivable, fusion of policies impossible', p.1, 17 May 1967

<sup>45</sup> PRO PREM13 1482, O'Neill to Gore-Booth, 18 May 1967; PRO FCO30 170, Brown comments on O'Neill to Maclehose, 18 May 1967

<sup>46</sup> PRO FCO30 179, Bonn to FO, tel.783, 17 May 1967

<sup>47</sup> PRO FCO30 190, Bonn to FO, tel.797, 20 May 1967

<sup>48</sup> PRO FCO30 170, Brussels to FO, tel.257, 18 May 1967

<sup>49</sup> PRO FCO30 170, Paris to FO, tel.464, 19 May 1967

<sup>50</sup> PRO FCO30 170, Rome to FO, tel.432, 18 May 1967

<sup>51</sup> PRO PREM13 1482, Palliser to Wilson, 13 May 1967

<sup>52</sup> Bozo, *Two Strategies*, *op.cit.*, p.201

and the EEC in science-based industries.<sup>53</sup> Clearly, an initiative would dwindle the significance of Britain's technological community ideas. The Germans also wanted to strengthen their bargaining hand in moves towards the NPT, as there was still considerable reluctance to abandon explicit promise of an eventual 'European' clause.<sup>54</sup> On a practical level, the EEC states wanted to ensure their voice by making EURATOM responsible for monitoring the safeguards on the civil uses of atomic energy under the NPT. The British and Americans, spurred by the Soviet Union, wanted to use the International Atomic Energy Authority (IAEA).<sup>55</sup>

At the Rome Summit, chaired by the Italian Prime Minister Aldo Moro, the Italians and Germans proposed three-monthly meetings of the Six's Foreign Ministers. The Dutch, who had persistently rejected political union in 1961 until Britain was granted accession, again insisted on British involvement prior to any political arrangements in Europe.<sup>56</sup> De Gaulle raised the stakes, arguing that if the Five were genuinely interested in a 'European Europe' then there could be political meetings. For the French, a 'European Europe' did not stretch as far as The Hague.<sup>57</sup> Only the Dutch held out against de Gaulle, but were helped by the Belgians in arguing that Britain should present a case for accession to the Six. Others thought Van Den Boeynants had gone too far, making it too easy for the French to refute the Dutch case.<sup>58</sup>

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<sup>53</sup> PRO CAB134 2813, EUR(O)(67)5, European Technological Collaboration, Annex 1: Italian Proposals, 12 Jan. 1967; for background Wilfried Loth, 'Franco-German Relations and European Security', Deighton and Milward (eds), *Widening, op.cit.*, p.42

<sup>54</sup> Bozo, *Two Strategies, op.cit.* pp.197-199

<sup>55</sup> PRO FCO30 3, EUR(O)(67)90, Draft Paper of UK Entry into EURATOM, 30 June 1967

<sup>56</sup> PRO FCO30 170, Paris to FO, tel.83, 31 May 1967; for background Gerbert, 'The Fouchet Negotiations', *op.cit.*, p.140, Brusse, 'Alone with the Six', *op.cit.*, pp.126-127

<sup>57</sup> PRO PREM13 1482, Brussels to FO, tel.289, 2 June 1967; PRO FCO30 170, Paris to FO, tel.83, 31 May 1967

<sup>58</sup> PRO PREM13 1482, Brussels to FO, tel.289, 2 June 1967



Explicitly linking the political questions attached to a Six-power union with enlargement, de Gaulle declared that the Community had to 'think thoroughly and profoundly about where it is going before accepting approaches from the outside'.<sup>59</sup> He suggested that the Six investigate enlargement in principle. They should study the effect on the existing Community of entry of four new members and should research the particular problems in agriculture and monetary questions raised by British accession.<sup>60</sup> This was a procedure certain to cause ample delay. It suggested a similar approach to the Brussels negotiations whereby the Six agreed a position before they talked to the British. Not only this, but de Gaulle demanded that the Community think about its short-term programme, thus embroiling the Six in discussion of their immediate economic interests. Combined with the implication of his press conference of French withdrawal if Britain joined before 1969, the Five faced a choice: pressing for enlargement now could risk the collapse of the existing Community.

Politically unwilling to see the Rome Summit dissolve into acrimony, the Six agreed to discuss British membership at the Council of Ministers the following week.<sup>61</sup> At this meeting, in the absence of Couve, Brandt and Fanfani, representatives agreed again to postpone discussion of British accession until 26 June.<sup>62</sup> On 26 June, in a highly restricted session the French continued to insist on the discussion of enlargement in principle, but concessions were made to the British approach. First, under strong pressure from the Belgian Foreign Secretary Pierre Harmel, the Council agreed that the

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<sup>59</sup> PRO FCO30 170, Paris to FO, tel.83, 31 May 1967

<sup>60</sup> PRO PREM13 1482, Paris to FO, tel.552, 5 June 1967

<sup>61</sup> PRO FCO30 190, Bonn to FO, tel.840, 31 May 1967

<sup>62</sup> PRO FCO30 92, Statham to O'Neill, 7 June 1967

Commission was to produce an Opinion on the problems of British accession. This, Harmel argued, was procedure as established in Article 237 of the Treaty of Rome. Crucially, the Commission could focus exclusively on the British case and not on the accession of the other applicants, Denmark and the Republic of Ireland (Norway applied two months after the British). Concentration on Britain showed the extent to which this was a political question for the Five.<sup>63</sup> Second, Harmel and Brandt insisted that the British present their application at the WEU on 4 July.<sup>64</sup> The French did not explicitly agree, but nevertheless George Brown took this as the opportunity for Britain's case to be heard.

#### **An Anglo-French connection? Wilson meets General de Gaulle, 19 June 1967**

The priority for Wilson was his visit to General de Gaulle, scheduled for 19 June. With a majority of one following the March Assembly elections, the French government was increasingly dependent on the support of the Independent Republicans under Giscard D'Estaing.<sup>65</sup> Giscard was slowly developing independence from the Gaullist majority, based partly on a pro-British European policy. In eighteen months or so he could feel strong enough to cast adrift from the Gaullists, robbing de Gaulle of a majority and forcing

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<sup>63</sup> PRO PREM13 1483, Brussels to FO, tel.165, 27 June 1967

<sup>64</sup> *ibid.*

<sup>65</sup> Bodleian Library, Reilly Papers, Uncatalogued Memoir, Paris 1967

new elections, which the Gaullists would probably lose.<sup>66</sup> De Gaulle would therefore be wary of his European policy's impact on public opinion.

Wilson's aim was to convince de Gaulle that Britain was genuinely a European power. The Arab-Israeli war provided one opportunity to suggest joint Anglo-French action. The United States, because of Vietnam, were not in a position to send troops and the Russians had not taken any initiative. Britain and France could act together to get the 'Great Powers to face up to their responsibilities' in order to seek a settlement to the crisis on the basis of four-power agreement. If they did not, local rivalries would merge into great power conflict.<sup>67</sup> Wilson also wanted to outline Britain's proposals for complete withdrawal from Singapore and Malaysia by 1975-6, despite the USA's opposition.<sup>68</sup> This strategy aimed to show that Britain was no longer dependent on the USA or on a global role and so could work with France to strengthen Europe.

Wilson's central case was that British membership was the only way of ensuring that Europe would have the industrial, technological and ultimately political strength to stand up to the superpowers. Wilson explained in his memoirs: 'I was presenting him not with a new Nassau but a Nassau in reverse. Trianon was the opposite of a Rambouillet'.<sup>69</sup> Britain's decision not to purchase American Poseidon missiles after Polaris meant that when the Polaris programme was complete, Britain would no longer be dependent on America for the nuclear capability: 'We should work out our military and political

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<sup>66</sup> PRO FCO41 37/WC4 1 1, Steering Brief for Visit to De Gaulle, Foreign Office, 16 June 1967; also PRO PREM13 1482, Palliser to Wilson, 4 May 1967

<sup>67</sup> PRO PREM13 1521, Palliser to Wilson, 15 June 1967

<sup>68</sup> PRO FCO41 38, Defence Policy in the Far East, Briefing for Visit to de Gaulle, 14 June 1967; PRO PREM13 1906, Wilson – Johnson, 2 June 1967, 3pm

<sup>69</sup> Wilson, *Labour, op.cit.*, p.522

destiny; and an important part of that would be in partnership with France, for example in connection with the production of military aircraft'.<sup>70</sup> In civil and military aircraft, French firms had strong links to the US, for example in the production of aero-engines. Collaboration with Britain would enable greater independence as Britain had the best aero-engines in the world. The Airbus project could enable French and British industry to compete more equally with the American company Boeing. Britain could also offer expertise in civil nuclear technology. British gas-cooled reactors, for example, could be an alternative to American water-cooled reactors which the Belgians had just purchased. Britain and France could also conspire in the production of enriched uranium U235. Currently they had independent plants at Pierrelatte and Capenhurst and the US had the upper hand. The computer industry was another example where Europe was failing to stand up to the USA: 'Europe could only make progress if France and Britain acted together'.<sup>71</sup>

One question is the extent to which Wilson's proposals reflected a genuine will for European collaboration as a solution to the problems of British industry.<sup>72</sup> There is no doubt that Britain's aircraft industry had problems. Since 1965, the government had faced an apparently irreconcilable deadlock between the excessive costs of joint projects in aircraft and space development and the political price of withdrawal. The contentious schemes were Concord, a bilateral plan with the French for a supersonic aircraft, the European Launcher Development Organisation (ELDO) for a rocket launcher and Airbus, a commercial subsonic aircraft. Britain had attempted to pull out

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<sup>70</sup> PRO PREM13 1731, Wilson – De Gaulle, 19 June 1967, 4pm

<sup>71</sup> *ibid.*

<sup>72</sup> See also John W. Young, 'The Technological Community in Wilson's Strategy for EEC Entry', Daddow (ed.), *Wilson, op cit.*

of both Concord and ELDO, but had returned to collaboration because of political embarrassment and because of the potential dangers of exclusion. In the case of ELDO, if the Europeans continued to develop a launcher without Britain, the British would find themselves dangerously isolated.<sup>73</sup>

In 1967, the Americans had beaten the British and French in the production of new aircraft. British European Airways (BEA) had already placed orders for the American Airbus, unwilling to wait for the production of the European version. The government was subsequently highly ambivalent about the continuation of the Airbus project. Although they realised it would be impossible to pull out; Wilson insisted that Airbus should adopt the aero-engines of the British firm Rolls-Royce.<sup>74</sup> Wilson's offer to de Gaulle of British assistance in aero-engines therefore reflected a particular commercial interest. In this instance, national industrial bias jeopardised the prospect of European collaboration as de Gaulle responded that the French could not accept British collaboration in aero-engines as they wished to sustain French national production.<sup>75</sup>

Thus, it would appear that Wilson's offer of a European technological community was genuine insofar as it reflected particular British industrial interests. There was recognition in the Cabinet that European collaboration did represent a political choice and an expression of Britain's orientation.<sup>76</sup> However, the over-riding principle was that British membership of the EEC would have to be assured before Britain gave away national technological know-how. Trend explained the economic rationale behind this approach.

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<sup>73</sup> See PRO CAB128 39, CC(65)71<sup>st</sup>, 16 Dec. 1965; PRO CAB128 41, CC(66)26<sup>th</sup>, 26 May 1966; CC(66)27<sup>th</sup>, 9 June 1966; CC(66)33<sup>rd</sup>, 30 June 1966

<sup>74</sup> PRO CAB128 42, CC(67)13<sup>th</sup>, 16 Mar. 1967

<sup>75</sup> PRO PREM13 1731, Wilson – De Gaulle, 19 June 1967, 4pm

Technology itself was not a problem in terms of sustaining the industrial productivity and the quality of life of the population. What was problematical was the size of the domestic market and the units of production within that market. British industry needed not an input of technological expertise, but greater rationalisation and access to a larger market in order to provide a spur to the economies of scale. Widening the market was an essential part of improving British industrial production and technological collaboration could only be encouraged within the context of integration. If it were not, Trend concluded: 'it would enable Europe to have a wider access to our own technological expertise in which in many fields we are in the lead, while giving us no compensating advantage in terms of favourable access to the European market'.<sup>77</sup> Economically, the British did not want a technological community unless Britain was inside the EEC.

There was also a further possible angle in Wilson's approach to the General. Reilly had suggested that as de Gaulle did not have access to thermonuclear technology, Britain could make an offer based on knowledge sharing to enable him to make use of his nuclear submarine force.<sup>78</sup> John Thomson, the Head of the Planning Staff in the Foreign Office, certainly felt that de Gaulle had a strong interest in obtaining thermonuclear knowledge, as without it, the *force de frappe* could not be used. Thomson thought that without the assurance of a credible force, de Gaulle would not be able to withdraw completely from the Atlantic Alliance.<sup>79</sup> Pierre Maillard, Minister in the French Foreign Service, had sounded out the British Embassy in Paris as to

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<sup>76</sup> PRO CAB128 42, CC(67)13<sup>th</sup>, 16 Mar. 1967

<sup>77</sup> PRO PREM13 1850, Trend to Wilson, 5 Jan. 1967

<sup>78</sup> PRO PREM13 1479, Reilly to Mulley, 20 Apr. 1967

<sup>79</sup> PRO FCO33 44, Thomson to Hood, 21 July 1967

the possibility of Franco-British co-operation in thermonuclear development. He had added that this had nothing to do with the Common Market, as whether co-operating with France or not, Britain's defence policy still involved too many Atlantic ties.<sup>80</sup>

Wilson told Hetherington:

He thought that de Gaulle might offer a defence community if we would go in on a nuclear programme with them. He said, however, that the French were a long way behind and had not got a thermonuclear weapon yet. He was not prepared to go in with de Gaulle (although he was a little ambiguous about the way he put it).<sup>81</sup>

Palliser remembered that there were 'hints' of a thermonuclear offer, a vague suggestion to see if de Gaulle would bite. There were, however, multiple problems with the possibility, not least that it would require agreement with the Americans, which of course would turn de Gaulle away from the idea and that Wilson also would not have had Cabinet authority:

I don't think it was ever more than a sort of a hint – I think I'd remember – I don't think there was ever a 'look we have this knowledge, we have problems with the US with sharing it, but if we could get over that, we could share it' – but I think there were hints dropped – whether de Gaulle reacted I honestly don't remember – Wilson obviously didn't have Cabinet authority... I remember that [Maillard's suggestion] being discussed and mulled over ... If Wilson did drop hints, which I vaguely think he did, they would be extremely wrapped up... as doing it would have caused really serious problems with the Americans and others... Maillard and others may have thought this was a good idea, but this didn't necessarily mean that de Gaulle would agree... He would have concluded that anything that we were offering him was done in agreement with the United

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<sup>80</sup> PRO PREM13 1482, Ramsbotham to Campbell, 14 Apr. 1967

<sup>81</sup> LSE, Hetherington Papers, 13 9, Meeting with Wilson, 12 June 1967

States, and in theory it should have been... I don't think we carried it through as a logical conclusion, a way of getting over the barrier [of de Gaulle's veto]'.<sup>82</sup>

There is no suggestion of such an offer in the record of the meeting.

The meeting failed to elicit a change in de Gaulle's attitude. The reason for this was that de Gaulle did not believe that Britain was independent from the USA. Determined to create a real alternative to the American-led international order, the French President saw American influence as the destabilising factor in world affairs.<sup>83</sup> In the Middle East, de Gaulle's failure to bring the Soviet Premier Kosygin to the negotiating table may have been a factor in his reluctance. Yet, he focused principally on the dangers posed to global accord by America's policy in Vietnam, arguing it made peace in the Middle East impossible. While France had clearly stated that America should withdraw, Britain refused to disassociate from US policy. De Gaulle acknowledged that Britain's policy in the Far East was changing, but stressed that Britain would side with the USA in times of crisis, while the French would not:

The French Government understood very well the importance which the British government attached to contracting their effort and expenditure overseas. But as regards the critical issue of the growing tension between the US and the USSR, both in the Middle East and the Far East – where the situation had now been aggravated by the explosion of the Chinese thermonuclear weapon – the French government did not yet see clearly where the UK's real sympathies lay. Even if Britain would not make up her mind now, she would be compelled, sooner or later, to choose between staying with the US – and therefore siding with them in their

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<sup>82</sup> Sir Michael Palliser, Interview with author, 5 Nov. 2001

<sup>83</sup> Bozo, *Two Strategies*, *op.cit.*, p.187



quarrels – or leaving them...The French had taken their decision...United States' disputes were not their disputes; and if these led the United States into wars, they would not be France's wars.<sup>84</sup>

De Gaulle agreed that Britain and France could participate in civil nuclear technology, particularly in the supply of enriched uranium and possibly in aviation and missiles. Britain's political links with the USA in the larger questions of global security meant, however, that Britain's orientation was not certain. Wilson argued that Europe was at a turning point. Kept out of Europe, Britain would be forced to turn to the USA and to create an Atlantic and eventually Pacific Community that would ultimately overwhelm the European Community. This was not what Britain wanted, but the French could give them little choice:

The greatest risk of all was that we should delay while the rest of the world drifted towards a disaster which could possibly be averted by a strong Europe acting independently and without fear or favour as regards anyone.<sup>85</sup>

De Gaulle agreed that this was an unfavourable prospect, but argued that British accession would not safeguard against an Atlantic grouping. Britain's introduction of Atlantic influence inside the Community would slowly kill French and 'European' dominance:

Holland was strongly in favour, Belgium equally to some extent, and Germany would be very tempted, while the poor Italians, being directly dependent upon the US, could not hope to prevent it. British entry therefore would not enable Europe to avoid such an Atlantic prospect.<sup>86</sup>

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<sup>84</sup> PRO PREM13 1731, Wilson – De Gaulle, 19 June 1967, 9am

<sup>85</sup> PRO PREM13 1731, Wilson – De Gaulle, 19 June 1967, 4pm

<sup>86</sup> *ibid.*

Importantly, de Gaulle argued that Britain would take a different stance in agricultural and commercial policies. He envisaged that Britain would try to create a free trade area with loose arrangements from inside the Community.

This would water down the economic union of the Six:

If Britain joined the Communities, in two to three years' time what would her attitude be in discussions within Europe in regard to the US, and in such matters as agriculture, food production, currency questions, capital movements - all fundamental to the EEC - what would Britain's attitude be?<sup>87</sup>

De Gaulle therefore clearly revealed that he wanted to preserve French and so European influence within the European Community, keeping out the Atlanticist compulsion in politics and trade that British membership would encourage. Britain could not come in because this would prevent French domination and would give strength to opinion in the Five that supported Atlantic ties. The President acknowledged that ultimately his attempt to create a 'European Europe' free from Atlantic influence would probably fail:

President de Gaulle said... he knew that the Prime Minister was aware of the general French approach. It was possible that this approach would be unsuccessful, it was conceivable that one day the Atlantic concept would submerge them. But in that case there would be no Europe - or at least no European Europe and no specifically European character or personality. They did not wish this to happen. But they recognised that they might be unable to prevent it.<sup>88</sup>

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<sup>87</sup> *ibid.*

<sup>88</sup> *ibid.*

De Gaulle's pessimism led to Reilly's assessment that he was 'paradoxically encouraged' by the visit.<sup>89</sup> Wilson wrote that de Gaulle was 'obsessed in his fatalistic way by a sense of real impotence (a word he used twice with me).'<sup>90</sup> It was possible then that de Gaulle would not find the strength to exclude Britain, aware of the long-term dwindling of his influence. Yet, for the first time Wilson acknowledged openly that getting around de Gaulle was unlikely: 'we are past the point of forecasting his actions on the basis of rational judgement'.<sup>91</sup> Thus although the long-term arguments supporting British accession were not dead, the visit marked a shift in the Prime Minister's thinking about the European initiative.

#### **Courting the Five: George Brown at the WEU, 4 July 1967**

Wilson and Brown were not working together closely on Britain's European initiative. While the Prime Minister had concentrated on his journey to Trianon, Brown focused on the delivery of Britain's negotiating position to the WEU on 4 July. On reading about Brown's plans in the press, Wilson noted to Palliser: 'could you please check... whether the Press story about WEU meeting and George's statement thereto is true?'<sup>92</sup> Wilson had established in the Cabinet Office a European Unit to centralise control of European policy.<sup>93</sup> Yet, Wilson's comment shows that Brown took this major initiative without the Prime Minister's knowledge. The Foreign Office's priority was to

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<sup>89</sup> PRO PREM13 1483, Reilly to Gore-Booth, 28 June 1967; Bodleian Library, Reilly Papers, Uncatalogued Memoir, Paris 1967

<sup>90</sup> PRO PREM13 1521, Wilson to Johnson, 22 June 1967

<sup>91</sup> PRO PREM13 1484, Wilson comments on Chalfont to Wilson, 19 July 1967

<sup>92</sup> PRO PREM13 1483, Wilson to Palliser, 27 June 1967

<sup>93</sup> Wallace, *Domestic Policy*, *op cit.*, pp.124-128, 162

minimise emphasis on the 'conditions' of membership and they did prefer to exclude other departments from discussion for this reason. Wilson did ensure that he kept an eye on Brown's activities via an informant in the Foreign Office.<sup>94</sup> The Prime Minister's intention, again urged by Palliser, was to allow Brown to take charge of the 'day-to-day' handling of negotiations. Wilson's role would be to intervene at 'various points in the negotiations, to force concentration on the major issues and keep up the vital momentum'.<sup>95</sup> While Brown would have command of the minutiae, Wilson would exercise political charge.

Brown developed Britain's negotiating position in the new Ministerial Committee On the Approach to Europe, EUR(M), of which he was chair and which had been established to oversee negotiations.<sup>96</sup> Set up at the same time was the Official Steering Committee on the Approach to Europe, EUR(S), chaired by the Cabinet Secretary Burke Trend. EUR(S) intended to supervise EUR(O), the official committee guiding Britain's position towards the 'conditions' of membership since November 1966.<sup>97</sup> In this way, the Cabinet Office could continue to monitor Brown's activities.

The statement to the WEU established vital advances in Britain's negotiating stance in contrast to Britain's opening position in 1961. In 1961, Britain had effectively accepted neither the CAP nor the principle of applying the common external tariff (CET) to Commonwealth imports, particularly agricultural imports.<sup>98</sup> The premise of the 1967 push for entry was that Britain could accept the Treaty of Rome, the CAP and the CET, subject to agreements

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<sup>94</sup> PRO PREM13/1482, Palliser to Wilson, 13 May 1967

<sup>95</sup> PRO PREM13 1482, Palliser to Wilson, 11 May 1967

<sup>96</sup> PRO CAB134 2803, EUR(M)(67)1, 24 May 1967

<sup>97</sup> PRO CAB134 2833, EUR(S)(67)1<sup>a</sup>, 9 June 1966

on specific commodities or problems. This statement remained the basis of Britain's demands when the final push for entry began in 1970.<sup>99</sup> Although the negotiating position was a monumental shift from 1961, it was reached only very rapidly and under duress. It left undecided the length of the transitional period for agriculture; an oversight with potential to unravel the whole basis of Robinson's negotiating strategy. It also failed to consider Britain's position towards levy payments, postponing substantive discussions by arguing that Britain could participate in 1969. The agreement thus reflected the particular circumstances of the time.

Brown's premise was the need to get a statement as free from safeguards as possible in order to maximise the pressure the Five were willing to exert on the French. As Brown told the Cabinet: 'the immediate purpose must be to assure that negotiation actually began'.<sup>100</sup> Disagreement focused on the two main areas of agriculture and the Commonwealth. Jay and Peart both now pressed hard for a transitional period for acceptance of the CAP of a maximum of ten years and a minimum of seven.<sup>101</sup> The EUR(M) Committee comprised a mix of supporters, opponents and the uncommitted on the principle of membership. Brown, Stewart and Jenkins were strongly in favour, Jay, Peart and Ross strongly against. Commonwealth Secretary Bowden was opposed, but not fervently so and Callaghan remained ambivalent. EUR(M) could not decide, feeling that the burden of reconstruction and the balance of payments merited a transitional period of at least seven years. Faced with the Foreign Office's case that asking for too much would jeopardise Britain's

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<sup>98</sup> Ludlow, *Dealing*, *op.cit.*, pp.80-103

<sup>99</sup> Hannay, *O'Neill*, *op.cit.*, p.10

<sup>100</sup> PRO CAB128 42, CC(67)44, 3 July 1967

<sup>101</sup> PRO CAB134 2803, EUR(M)(67)2<sup>nd</sup>, 20 June 1967

approach as a whole, ministers deferred a final decision until the length for other products was established.<sup>102</sup> In the full Cabinet, the government hedged the question of agriculture. Agricultural levies, which would pose a considerable burden on Britain's balance of payments, were dealt with by reference to the 1969 review. The basis of the Cabinet's agreement was that 'once in, we would have more influence at the agricultural review in 1969'.<sup>103</sup> This was known to be an unrealistic proposition, but it delayed a row on the specific provisions, so enabling the short-term bid to continue.

There were also differences of opinion as to whether or not Britain could accept the CET. The President of the Board of Trade continued to raise vociferous objection to Britain's membership strategy by insisting on the retention of duty free imports for all cereals, meat and dairy produce. Jay's insistence on permanent arrangements for agricultural imports led Wilson to admonish him that his requests were out of line with the Cabinet's decision to apply. Government policy was not to seek major and substantial changes, but to accept the principles of the Treaty of Rome. Jay should not therefore circulate a paper on the subject.<sup>104</sup> Jay's inflexible attitude towards the Community certainly contributed to his dismissal from the Cabinet in July.<sup>105</sup> Wilson's insistence that the Cabinet had accepted the provisions of the Treaty was the basis of Jay's claim that the Cabinet were inexorably pushed towards the principle of membership without agreement on the terms.<sup>106</sup> Yet, Jay must have been aware that free entry for all agricultural produce was an impossible

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<sup>102</sup> *ibid.*

<sup>103</sup> PRO CAB128 42, CC(67)44, 3 July 1967

<sup>104</sup> PRO PREM13 1483, Wilson to Jay, 27 June 1967

<sup>105</sup> Wilson, *Labour, op.cit.*, pp.426-7; Jay, *Change, op.cit.*, p.408; Pimlott, *Wilson, op.cit.*, p.467

<sup>106</sup> Jay, *ibid.*, pp.366-408

negotiating demand. Bowden, who wanted to seek some safeguards for some commodities, told Jay that there was no point in asking for more than even the New Zealanders requested.<sup>107</sup>

Dispute over demands for New Zealand was minimal. The Six had accepted in 1962 that New Zealand, excessively dependent on Britain's market, was a special case.<sup>108</sup> Worth £370m in total, £168m or 45% of New Zealand's exports came to Britain.<sup>109</sup> Disagreement focused on whether to ask for security for New Zealand's lamb and cheese exports as well as for butter exports. The Board of Trade demanded safeguards for all these products, as the New Zealanders wanted, but the Foreign Office suggested only specific arrangements for butter.<sup>110</sup> Sugar posed more of a problem. The Foreign Office wanted to avoid any adjustment at all for Australia's sugar and to agree only a degressive arrangement for New Zealand. Neither did they want to seek permanent solutions for the developing countries. Rather, Britain should allow the Commonwealth Sugar Arrangement to run its course until 1974. After this, the Commonwealth should be responsible for negotiating their own compromises.<sup>111</sup> Ministers could not agree whether they should ask for specific arrangements after 1974. Under Stewart's chairmanship in Brown's absence, EUR(M) adopted a bargain to seek assurances after 1974 without setting out what exactly they hoped to preserve.<sup>112</sup>

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<sup>107</sup> PRO CAB134 2803, EUR(M)(67)1<sup>st</sup>, 5 June 1967

<sup>108</sup> Ludlow, *Dealing, op cit.*, p.151

<sup>109</sup> PRO CAB134 2804, EUR(M)(67)18, Commonwealth Negotiating Brief, Secretaries, 30 June 1967

<sup>110</sup> PRO CAB134 2813, EUR(M)(67)19, Negotiating Objectives on Protective Tariffs, Secretaries, 30 June 1967; PRO CAB134 2817, EUR(O)(67)52, Negotiating Objectives, Foreign Office, 9 May 1967; CAB134 2804, EUR(M)(67)18, Commonwealth Negotiating Brief, Secretaries, 30 June 1967

<sup>111</sup> PRO CAB134 2817, EUR(O)(67)52, Negotiating Objectives, Foreign Office, 9 May 1967

<sup>112</sup> PRO CAB134 2803, EUR(M)(67)3<sup>rd</sup>, 29 June 1967

The Board of Trade also wanted to retain the promise of a zero tariff for some raw materials: wood pulp, softwood plywood, East India kips (cow hides), lead, lead bullion and aluminium. They also sought duty free quotas for newsprint, alumina and zinc. For tropical produce important to the Asian Commonwealth, including manufactured sports equipment unpopular in Europe like cricket bats and polo sticks, the Board of Trade also wanted to revive the zero tariff request. Processed goods important to the Commonwealth but unimportant to Community markets should also receive a nil tariff.<sup>113</sup> The Foreign Office, while not disputing the substance of the Board of Trade's proposals, considered that to ask for such an obtuse list would only lead to hostility from the Six. Britain's requirements could be met by duty quotas of the sort that the Netherlands and the Germans had managed to negotiate under Article 25 of the Treaty of Rome and there was no need to raise it until after accession.<sup>114</sup> These demands were considered relatively unimportant and indeed Brown did not raise the issue of nil tariff requests from the CET in his WEU statement.

Brown's statement to the WEU was therefore favourable to European opinion in both tone and substance. He began by stressing that for Britain this was a 'decisive moment in our history'.<sup>115</sup> For the European Community, enlargement was the only way to strengthen its economic and technological base and so to develop the political strength to stand up to the superpowers. Strengthening Europe would enable Europe to play a greater role in the pursuit of détente: 'We see this as a major step towards a reconciliation and a revival

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<sup>113</sup> PRO CAB134 2813, EUR(M)(67)19, Negotiating Objectives on Protective Tariffs, Secretaries, 30 June 1967

<sup>114</sup> *ibid.*

<sup>115</sup> Brown Statement to the WEU 4 July 1967, Kitzinger, *Second, op.cit.*, p.189



in that larger Europe which has remained too long divided between East and West'.<sup>116</sup> In this way, Brown met head on de Gaulle's arguments in favour of the 'cosy nest': 'There will of course be changes. But they will be changes of dimension – a larger Community, a more powerful and more influential Europe... The fundamentals of the Communities will remain unaffected, for we shall be accepting precisely the same treaty aims and obligations in letter and spirit as yourselves'.<sup>117</sup>

Brown then established Britain's negotiating stance. Britain accepted the Treaties, subject only to adjustments required to provide for the accession of a new member, such as voting and financial agreements. Not only this, Britain was prepared to evolve with the Community: 'We believe that Europe can emerge as a Community expressing its own point of view and exercising influence in world affairs'.<sup>118</sup> Britain would be able to accede to the Community via a transitional period or periods, following an initial standstill year to give EFTA time to make arrangements. After twelve months, Britain would also be able to accede to EURATOM.<sup>119</sup>

For agriculture, Britain needed some kind of procedure for an annual review, assurance of an adequate supply of liquid milk and support arrangements for pigs and eggs, all of which could be established under Community rules. Britain should participate in the 1969 agricultural review in order to renegotiate the burden of agricultural levies: 'we shall look forward to taking part as a full member of the Community in the negotiation of the agricultural finance arrangements for the period after 1969'. The renegotiation

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<sup>116</sup> *ibid.*, p.191

<sup>117</sup> *ibid.*, p.192

<sup>118</sup> *ibid.*, p.193

<sup>119</sup> *ibid.*, p.194

would include the question of agricultural support payments. Hill farmers in particular might need additional aid in order to adjust to the agricultural distortion.<sup>120</sup>

For the Commonwealth exporters, Britain would require some kind of arrangement for the Commonwealth sugar producers after the end of 1974, in line with Community procedures, and abrogation for New Zealand's exports of butter. African and Caribbean Commonwealth countries could associate under the Yaoundé Convention and trading arrangements could be arranged for the Asian countries. Britain would be able to adopt the capital movement requirements under a transitional period and would be able to accept the common external tariff after the Kennedy Round reduction from 12 to 8%.<sup>121</sup>

Brown ended with a plea to European history and culture:

The history and culture of our continent is the birthright of us all. We have all contributed to it and we all share in it. Our application flows from the historical development of our continent, from the sentiments, which as Europeans we all share and from the idea we all have of the part our continent should play in the world...Surely it is in the interests of all our countries that Britain should make her full contribution to this unity.<sup>122</sup>

The reception of the statement in the Five was very positive. At the WEU meeting, Luns reiterated that the 'completeness of detail was of the highest value'.<sup>123</sup> Brandt said he was impressed by the British statement,

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<sup>120</sup> *ibid.*, p.195

<sup>121</sup> *ibid.*, pp.189-201

<sup>122</sup> *ibid.*, p.200

<sup>123</sup> PRO PREM13 1483, The Hague to FO, tel.290, 4 July 1967

which was 'unequivocal and unusually important. A milestone on the road to a united Europe had been reached'.<sup>124</sup> Harmel's praise was the most fulsome:

against the background of uncertainty elsewhere in the world [Britain's] application offered a hope of consolation. [Britain's] application showed [the British] had reached a new step, and had passed from exploration to a firm political and technical position. [The British] had posed problems before, now [the British] had begun to sketch solutions, and were seeking them not only on a national but a Community basis. He was particularly impressed by [Britain's] desire not to disturb the treaties or the decisions taken under them by the six.<sup>125</sup>

Fanfani added that the chance of political and economic unity in Europe was to be welcomed. Gregoire stressed that Britain could accept the Treaty and Luns, in a coup de grace for Brown's position, argued that it would be possible to solve Britain's difficulties during transitional periods.<sup>126</sup> D'Avignon, Harmel's Private Secretary, confided later that Britain's negotiating position was so good that de Gaulle knew negotiations would work.<sup>127</sup> Only the French representative Bettencourt mentioned any negative points, suggesting that Britain needed to reconcile its entry with its essential national and Commonwealth interests and thus that the French government could not yet give a view.<sup>128</sup>

Brown's statement to the WEU succeeded in isolating the French within the Community. In a further Council meeting on 10 July, de Gaulle's obstructionism was evident. The Five had shown good support for the opening of negotiations and had insisted that the Commission begin its study of

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<sup>124</sup> *ibid.*

<sup>125</sup> *ibid.*

<sup>126</sup> *ibid.*

<sup>127</sup> PRO PREM13 1484, Palliser to Wilson, 15 July 1967

Britain's candidature.<sup>129</sup> Meeting with Reilly, de Gaulle concentrated on the Cold War aspects of Britain's bid, arguing that British entry would entrench the divide in Europe as the Russians feared Atlantic incursion. On the terms, he argued only that the British would not be able to do what they had promised.<sup>130</sup> The political dimension of de Gaulle's opposition was therefore evident. France's ability in 1963 to equate French interests with Community interests had been undermined, a significant step indeed in the battle for the kind of Europe that would develop.<sup>131</sup>

Thus, in early July 1967, Britain's bid had brought a kind of success. Further indications of de Gaulle's domestic weakness added to the sense that the application could outlast the General. The French government faced Parliamentary difficulty with the budget in deficit and the economy in trouble. In the wider environment, de Gaulle's condemnation of the Israelis had been unpopular and recent social legislation led to the possibility of workers' strikes.<sup>132</sup> There was, Reilly reported, the 'general, though unexplained feeling here that he is not likely to last very long'.<sup>133</sup> Palliser added that the decline in de Gaulle's status meant that he would no longer be able to threaten the Five with French withdrawal from the EEC.<sup>134</sup>

Faced with evidence of de Gaulle's weakening power and aware that his strategy of a deal with de Gaulle had failed, Wilson suggested tightening the pressure on the Five. To encourage the Five further, Wilson suggested 'blatant technological co-operation with individual members of the Five or

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<sup>128</sup> PRO PREM13 1483, The Hague to FO, tel.290, 4 July 1967

<sup>129</sup> PRO CAB128 42, CC(67)46<sup>th</sup>, Hannay, *O'Neill, op.cit.*, p.10

<sup>130</sup> PRO PREM13 1483, Paris to FO, tel.738, 12 July 1967

<sup>131</sup> Ludlow, 'EC Response', *op.cit.*

<sup>132</sup> PRO FCO30 170, Reilly to Gore-Booth, 14 July 1967

<sup>133</sup> *ibid.*

bilateral co-operation'.<sup>135</sup> 'Blatant technological co-operation' was also a response to the signs of France's reservations about the Harmel Report. Since June, the NATO powers had been discussing Pierre Harmel's proposals to increase the role of NATO in pursuing détente, proposals that were supported but regarded suspiciously by the French.<sup>136</sup> Signs were also that the French were considering complete withdrawal from the Atlantic Alliance.<sup>137</sup> Enhanced technological co-operation with the Five would increase the risks of isolation for the French, while sustaining pressure on the Five by evidence of Britain's goodwill.<sup>138</sup> Thus, in the summer of 1967, there were grounds for cautious optimism for the short-term prospects of accession.

### **The problem of enlargement: The Commission's Opinion, September 1967**

Progress on Britain's application was now waiting on the completion of the Commission's Opinion on 29 September 1967. Over the summer months, British efforts focused on attempts to influence the Opinion with informal contacts by officials, arranged through Britain's ambassador in Brussels, Sir James Marjoribanks.<sup>139</sup> To avoid exacerbating the disputes over the terms of entry, departments other than the Foreign Office would not be invited as a matter of course to participate. Discussions were to be kept at a low level to escape press attention. Indicative of the watchful relationship between Number

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<sup>134</sup> PRO PREM13 1484, Palliser to Wilson, 15 July 1967

<sup>135</sup> PRO PREM13 1484, Wilson's comments on Palliser to Wilson, 15 July 1967; Young, *Britain op cit.*, p.100

<sup>136</sup> Bozo, *Two Strategies, op.cit.*, pp.193-196

<sup>137</sup> PRO FCO30 170, Reilly to Gore-Booth, 14 July 1967; PRO PREM13 1484, Palliser to Barnes, 14 July 1967

Ten and the Foreign Office, Wilson insisted that Nield attend alongside O'Neill. The Prime Minister was concerned to stay within the parameters of the Cabinet's decisions. Brown's priority was for a flexible approach to encourage the Commission to support the opening of negotiations.<sup>140</sup> The main purpose was to explain Britain's position towards the difficult questions of the agricultural levies, Commonwealth trade and sterling, for which the Treasury's Fred Atkinson was present. Despite the good contacts the Foreign Office had developed with their counterparts in Brussels, the discussions did not appear decisive in influencing the final shape of the Opinion.<sup>141</sup>

The Commission's Opinion was undeniably enthusiastic both about the principle of enlargement and the opening of negotiations: 'unquestionably the Community must accept certain risks where an undertaking of this importance, ie the achievement of European unification, is to be attempted... negotiations should be opened in the most appropriate forms with the States who have applied for membership'.<sup>142</sup> Only recently formed after the fusion of the three executives and after the battles of the empty chair crisis, the new Commission under the Belgian Jean Rey was also keen to make its mark in the Community. The Council of Ministers' inability to decide on Britain's eligibility as a candidate provided the perfect opportunity for the Commission to take the lead in welcoming Britain's application.<sup>143</sup>

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<sup>138</sup> Ellison, 'Britain's Place', *op.cit.*

<sup>139</sup> PRO FCO30 96, Maitland to O'Neill, 7 July 1967

<sup>140</sup> PRO PREM13 1484, Palliser to Maitland, 7 July 1967

<sup>141</sup> PRO CAB134 2804, EUR(M)(67)21, Contacts with the Commission, 28 July 1967

<sup>142</sup> PRO PREM13 1469, The EEC Commission's Appraisal, 29 September 1967; for a published reproduction of this text, Kitzinger, *The Second Try*, *op.cit.*, para. 8, p.210 and para.194, p.299; see also N. Piers Ludlow, 'The EC Response', *op.cit.*

<sup>143</sup> PRO PREM13 1482, Palliser comments on Marjoribanks to FO, tel.132, 2 June 1967; also PRO PREM13 1485, conversation between the President of the Board of Trade and Danish Ambassador Herr Gundelach, 30 Sept. 1967

The Opinion showed that the Commission had accepted Britain's case to be fundamentally negotiable. Britain would be able to accept the CAP over a transitional period.<sup>144</sup> A solution could be sought in negotiations for New Zealand's butter and exports of Commonwealth sugar, the Opinion recognising the particular difficulties posed for New Zealand.<sup>145</sup> Countries similar to those involved in the Yaoundé Convention, namely the African and Caribbean Commonwealth, would be able to negotiate association.<sup>146</sup> It would be possible to negotiate a deal for British accession.

There were doubts, however, about when Britain and other EFTA countries should accede. The French Commissioners, Raymond Barre and Jean-François Deniau played on genuine fears of the risks of enlargement to introduce ambivalence and delay into the Commission's dealing with Britain's application.<sup>147</sup> Vice-President Sicco Mansholt noted the dangers of 'excessive blethering': 'the difficulties of expanding the Community were being used too much to construct pretexts against considering the British application'.<sup>148</sup> Enlargement to a market of 300m people would change the Six's arrangements and would necessitate parallel strengthening of the Community's institutions. Deniau went as far as to suggest that the EFTA countries excluding Britain should only associate in a free trade area around the central customs union.<sup>149</sup> Concern for the continued cohesion of the customs union led to doubts that Britain could accept the future development

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<sup>144</sup> Opinion, paras. 54-77, Kitzinger, *Second, op.cit.*, pp.232-244; see also PRO PREM13 1484, Brussels to FO, tel.251, 30 Sept. 1967

<sup>145</sup> Opinion, paras.65-66, Kitzinger, *ibid.*, pp.237-8

<sup>146</sup> Opinion, para.165, *ibid.*, p.286-7

<sup>147</sup> Barre was Vice-President (Economy and Finance); Deniau had responsibility for external commercial policy

<sup>148</sup> PRO FCO30 102, Marjoribanks to FO, tel.192, 10 July 1967

<sup>149</sup> PRO PREM13 1469, Palliser to Wilson, 12 Sept. 1967; on Deniau's suggestion, PRO FCO30 102, Robinson to Jackling, 6 Sept. 1967

of the Community and undermined the impression that negotiations would succeed:

the first condition of entry – ie acceptance by new members of the rules and objectives already decided upon by the Community, subject to minor adjustments that might have to be made – is not sufficient to ensure that the talks remaining to be accomplished will be carried to a successful conclusion.<sup>150</sup>

Doubts as to whether Britain was committed to the future development of the economic union also served to dispel the force of Britain's technological contribution to the continent. The Community would welcome access to Britain's know-how in science and technology and accepted that Britain's involvement would help the Community to compete with the United States. Yet, it wanted to ensure that Britain was prepared to merge with Community efforts: 'The Communities will be able to benefit from Britain's contribution in these fields only if they are able to establish a common policy in the field of science and advanced technologies'.<sup>151</sup>

Fear that Britain's accession would change the nature of the Community reflected national interests member states were anxious to preserve. Fusion of the three Communities was set to follow the fusion of the three executives achieved with much acrimony after the settlement of the empty chair crisis at Luxembourg. Fusing the Communities offered a way of revitalising EURATOM, with its remit to develop the civil uses of atomic energy. It also provided an opportunity to rethink the role of the ECSC and thus to move to a common energy and transport policy dealing with the central commodities of coal, steel, oil and gas. On a strictly practical level, Britain's

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<sup>150</sup> Opinion, para.10, Kitzinger, *Second, op cit.*, p.211

<sup>151</sup> Opinion, para.157, *ibid.*, p.281



nationalised coal board would fall under the Treaty's legislation against monopolies and Britain would have to lift the ban on coal imports that protected the NCB.<sup>152</sup>

The main difficulty was the competition Britain's coal and steel would pose to German industry and Germany's reluctance to face this challenge. The Germans wanted to proceed to fusion before Britain joined the Community, enabling Germany to set the agenda for a common energy and transport policy without heed to Britain's interests.<sup>153</sup> Lahr was adamant that fusion must precede enlargement; suggesting the delay-making formula that negotiations for each could proceed in tandem.<sup>154</sup> Powerful German economic interests meant the Germans were reluctant to face enlargement before securing advantage in the next stage of Community development.

Sterling also played a large part in the Commission's hesitancy. France's political position was said to have played a major part in the Opinion's negative treatment of Britain's economic prospects. Marjoribanks commented that the section on economy and finance was the 'price paid for acquiescence in the Opinion of the French Commissioners'.<sup>155</sup> Brown also maintained this line in Cabinet.<sup>156</sup> Yet, the evidence suggests a greater degree of agreement between the French and the Five on precisely the question of Britain's economy. The French were able to tap into genuine fears amongst the Five and indeed in Britain as to the ability of the British economy to cope with membership. During preliminary meetings with the Commission, the

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<sup>152</sup> Opinion, para.42, 45, *ibid.*, pp.228-9

<sup>153</sup> PRO PREM13 1484, Galsworthy to Statham, enclosing German Working Party Paper. Economic Considerations Pertaining to the Accession of Britain and other EFTA countries, 19 July 1967; PRO FCO30 191, Bonn to FO, tel.1284, reporting talks between the Dutch and the Germans, 23 Sept. 1967

<sup>154</sup> PRO PREM13 1484, Chalfont – Lahr, 6 Sept. 1967

Treasury's Fred Atkinson had explained that the margin of spare capacity created by deflation would enable Britain to sustain a growth rate of 3% and to cease the cycle of stop-go. The pound was stronger than it looked, undergoing a temporary waver after the Middle East crisis, but taking Britain's investment overseas into account, the UK was a creditor overall.<sup>157</sup>

The Treasury's defence of Britain's prospects was increasingly unbelievable. Wilson's search for an economic strategy in July revealed all the difficulties of reflation the economy while keeping a stable balance of payments.<sup>158</sup> The Bank was so concerned at Britain's mounting debts that it no longer wanted to call on swap arrangements with the central banks because of over-commitment.<sup>159</sup> The Commission's comments on Britain's economy therefore reflected a much more widespread malaise about Britain's economic prospects. The Cabinet noted, 'it was not in our interests to highlight the prominence given to our economic and financial position. It was of great importance to avoid anything which might magnify or give credence to sensational reports in the Press about our economic position'.<sup>160</sup>

The Opinion recorded that the fundamental problems of disequilibrium in the British economy remained and that reflation therefore had dangerous consequences for the balance.<sup>161</sup> As a result, 'the British authorities, in their efforts to prepare the economy for integration, might unilaterally adopt certain measures which could have major repercussions for the Community. It is therefore important that these measures should be concerted before they are

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<sup>155</sup> PRO PREM13 1485, Marjoribanks to FO, tel.247, 30 Sept. 1967

<sup>156</sup> PRO CAB128 42, CC(67)58<sup>th</sup>, 11 Oct. 1967

<sup>157</sup> PRO CAB134 2804, EUR(M)(67)23, Contacts with the Commission, 11 Sept. 1967

<sup>158</sup> PRO PREM13 1440, Wilson to Callaghan, 23 July 1967

<sup>159</sup> PRO PREM13 1440, Baldwin to Trend, 8 Sept. 1967

<sup>160</sup> PRO CAB128 42, CC(67)58<sup>th</sup>, 11 Oct. 1967

put into effect'.<sup>162</sup> Nicholas Kaldor, economic adviser in the Treasury, felt that the Report 'was not written by Barre or even accepted by the others as part of a bargain with the French but was a unanimous view and the fruit of much re-writing'.<sup>163</sup>

The section of the Opinion on the weakness of the British economy represented a collective anxiety. France's impact was to make explicit links between the balance of payments and the reserve role of sterling.<sup>164</sup> The Commission's Opinion denied the Treasury's argument that the sterling balances were not a major cause of exchange difficulties. It insisted that although the sterling balances were relatively stable, withdrawals could occur and that the UK's official liquid assets were less than the total liabilities represented by the sterling area.<sup>165</sup> The Treasury strenuously resisted this interpretation, claiming that withdrawals had never exceeded Britain's drawing capabilities from the IMF.<sup>166</sup> Assets of the sterling area outweighed the liabilities and that the sterling holdings were fundamentally stable.<sup>167</sup> The Opinion maintained that Britain's undertaking not to use Article 108 was meaningless and Britain had not been willing to take the lead in discussing a possible 'European solution'.<sup>168</sup> Again, the Treasury and the Foreign Office resisted this argument, claiming that the British were willing to discuss any

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<sup>161</sup> Opinion, paras.81-82, 89, Kitzinger, *Second, op.cit.*, pp.248-250

<sup>162</sup> Opinion, para.95, *ibid.*, p.253

<sup>163</sup> Cairncross, *Diary, op.cit.*, p.236, 18 Oct. 1967

<sup>164</sup> Susan Strange, *The Sterling Problem and the Six*, (Chatham House, European series no.4, 1967), pp.8-10

<sup>165</sup> Opinion, paras. 86-88, Kitzinger, *Second, op.cit.*, pp.249-250

<sup>166</sup> See also PRO PREM13 1485, Treasury Response to the Commission's Opinion, 2 Oct. 1967; PRO CAB134 2822, EUR(O)(67)123, Analysis of the Commission's Opinion, 8 Dec. 1967

<sup>167</sup> For example, PRO CAB134 2803, EUR(M)(67)12, International Role of Sterling, Treasury, 27 June 1967; PRO CAB134 2804, EUR(M)(67)23, Contacts with the Commission, 11 Sept. 1967

<sup>168</sup> Opinion, para. 99, Kitzinger, *Second, op.cit.*, p.254

solutions the Six had in mind, consistent with the position they had in fact adopted.<sup>169</sup> Where the French were on sounder ground was in drawing on Britain's extra-European interests as evinced in the IMF talks. Britain would be unable to side with the Six in international monetary talks: a suggestion that, despite the efforts of the Chancellor to show Britain's willingness to discuss a 'European solution', had been borne out in the IMF discussions.<sup>170</sup>

The French drew exacting conclusions from their observations about Britain's economy. The Dutch and the Germans felt that although sterling probably would be a problem if it were still weak when the British were about to join, the question of sterling should not impinge on the Community's judgement now. Negotiations could take place alongside the recovery of economic strength and could in fact serve to stimulate the economy.<sup>171</sup> For the French, detail of Britain's economic difficulties was used to establish 'preconditions' to British membership. The Opinion stated that Britain's economy would have to be strengthened before membership, in keeping with Wilson's own statements that Britain would only enter if the economy were strong.

It also suggested that the Six would wish to discuss with the British the 'conditions under which the present international role of sterling would be adjusted with a view to including that currency, together with the currencies of the other member states, in a Community monetary system'.<sup>172</sup> For members of the Five, these discussions could mean simply a trawl through the possible

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<sup>169</sup> PRO PREM13 1485, Treasury Response to the Commission's Opinion, 2 Oct. 1967; PRO CAB134 2822, EUR(O)(67)123, Analysis of the Commission's Opinion, 8 Dec. 1967

<sup>170</sup> Opinion, para. 100, Kitzinger, *Second, op.cit.*, p.255; PRO FCO30 96, Hildyard to Statham, 2 June 1967

<sup>171</sup> PRO FCO30 191, Bonn to FO, tel.1284, 23 Sept. 1967

solutions. The French, on the other hand, clearly viewed the Opinion as a way of setting preconditions to British membership. Before membership, Britain's economy would have to pass certain unspecified tests over which the Community would have the ultimate say. As Con O'Neill put it: 'according to this new French doctrine, applicant States must qualify for membership by reaching certain standards of economic health, and by themselves adapting their practices to those of the Community. Only when their practices had been so adapted, according to this doctrine, could negotiations for membership begin'.<sup>173</sup>

The French case against British membership did therefore have serious impact on the formation of the Commission's Opinion. The French Commissioners were able to tap into deeper fears amongst their colleagues as to the impact of enlargement on the continuation of economic union. In particular, the anxieties of German industry as to the fusion of the three Communities lent a powerful force in favour of delay. French arguments as to Britain's economic weakness also met with general approval; but the case against sterling as a reserve currency was more contentious.

The inertia encouraged by the French position meant that while the Opinion supported Britain's membership in the long-term, it was now certain that there would be no early negotiations. Jean Rey, eager to avoid a crisis in the Community, suggested that rather than negotiations, Britain should enter into 'pre-negotiation' with the Commission alone to hammer out the problems

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<sup>172</sup> PRO CAB134 2822, EUR(O)(67)123, Analysis of the Commission's Opinion, Secretaries, 8 Dec. 1967

<sup>173</sup> Hannay, *O'Neill, op.cit.*, p.83

of sterling and the adoption of the common external tariff.<sup>174</sup> Brown continued to stress to the Cabinet that the Community were discussing Britain's position: 'our general objective was to maintain the initiative and momentum in pursuit of our application'. Yet, behind the scenes, as Brown admitted, contingency planning was underway in case de Gaulle did veto.<sup>175</sup>

### **'Something more subtle than flattery'<sup>176</sup> Dealing with Germany, October 1967**

Early in October, in a highly unusual move, General de Gaulle summoned Patrick Reilly to a private meeting. The meeting confirmed de Gaulle's unwillingness to admit Britain, but showed again that de Gaulle was reluctant to issue a veto on the opening of negotiations. Reilly recorded de Gaulle's view that Britain was not ready to enter. Economic problems and the agricultural levies meant that British accession would change the nature of the Community. Politically, he noted that Britain was moving away a little from the United States, but economically, there were grave problems. He commented: 'no doubt the British believed they could accept the essential principles of the Community, but the truth was they could not'.<sup>177</sup> Palliser agreed that the indications were extremely negative, but added that it was still unclear how de Gaulle intended to deal with the application. The General seemed to urge Reilly that Britain should drop the whole venture, showing

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<sup>174</sup> PRO PREM13 1484, Marjoribanks to FO, 27 Sept. 1967; PRO PREM13 1485, Crosland – Rey, 2 Oct. 1967

<sup>175</sup> PRO CAB128 42, CC(67)58<sup>th</sup>, 11 Oct. 1967

<sup>176</sup> PRO PREM13 1527, Palliser to Wilson, 21 Oct. 1967

<sup>177</sup> PRO PREM13 1485, Reilly to FO, tel.975, 5 Oct. 1967; Bodleian Library, Reilly Papers, Uncatalogued Memoir, Paris 1967

Reilly that negotiations could not work and so there was no point in embarking upon them.<sup>178</sup>

In the atmosphere of growing recognition that de Gaulle did intend to veto, but uncertainty as to how he would do so, it was essential to persist in the objective of making life difficult for the General. If he did veto, it should be politically odious for him, ensuring that the political nature of his opposition was exposed and his isolation from the main currents of European and French political opinion made clear. Yet, the objective of Britain's strategy was not to force de Gaulle to veto. This option was discussed, but was dismissed in the Cabinet Office as excessively dangerous. There was no point in pre-empting Gaullist action which could result in Britain's own isolation in Europe, particularly when members of the Five wanted to give the General more time.<sup>179</sup> Furthermore, Palliser felt that if provoked, de Gaulle would not hesitate to issue a veto, which the British still preferred to avoid.<sup>180</sup> Britain therefore aimed to strike a balance, persisting in demanding that negotiations start in case de Gaulle proved reluctant to veto; but ensuring that it was unfavourable for him if he did.

Central to the strategy of making life difficult for the General was the attitude of the Germans. Kiesinger disagreed with the French concept of Europe and France's attitude towards the Atlantic Alliance, but he felt that Franco-German rapprochement was essential to European unity. Kiesinger told Sir Frank Roberts that Britain's membership was bound to happen, even de Gaulle accepted that 'history and the force of events' was on the British

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<sup>178</sup> PRO PREM13 1485, Reilly to FO, tel.975, 5 Oct. 1967, Palliser to Wilson, 6 Oct. 1967; Paris to FO, tel.983, 6 Oct. 1967

<sup>179</sup> PRO PREM13 1485, Situations we might face and what our attitudes to them might be, Cabinet Office, 16 Oct. 1967

side.<sup>181</sup> With membership ultimately inevitable, there was no reason for the Germans to stand up to the French now. Kiesinger's position was part self-justification. The Germans wanted to ensure the survival of the existing Community and to begin steps to fusion; but could argue that this was not the right time to provoke a breach if the British would accede anyway. It was also a tactical consideration. Kiesinger believed he knew the General. Treating the General too roughly, as the Dutch did, would cause him to break free from the EEC and from NATO. But 'if handled with the right mixture of firmness and understanding, he could be brought round'.<sup>182</sup>

Brandt as well as Kiesinger was unwilling to risk Franco-German relations by provoking de Gaulle.<sup>183</sup> Brandt in fact told Couve that the Germans were worried about the British economy and that the Germans felt there should be further discussions between the Six before involving the British.<sup>184</sup> Germany's attitude was significant as the French based their tactical decision for the 23 October Community Council meeting on the knowledge that the Germans would not force a breach. The French decided that in the light of Germany's desire to avoid a crisis, it would not be necessary to issue a direct veto on the starting of negotiations. Rather, Couve would continue to prevaricate and delay.<sup>185</sup> Thus, Germany's attitude enabled the French to slip between the twin objectives of Britain's tactics: neither forced into saying 'yes' nor exposed by saying 'no'.

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<sup>180</sup> PRO PREM13 1527, Palliser to Wilson, 21 Oct. 1967

<sup>181</sup> PRO PREM13 1485, Bonn to FO, tel.1397, 19 Oct. 1967

<sup>182</sup> *ibid.*

<sup>183</sup> PRO FCO30 191, Bonn to FO, tel.1404, 19 Oct. 1967

<sup>184</sup> PRO FCO30 171, Roberts to FO, tel.1392; Paris to FO, tel.1028, 18 Oct. 1967

<sup>185</sup> PRO FCO30 171, Brussels to FO, tel.307, 19 Oct. 1967



The British were also unsure as to how best to deal with the Germans as Kiesinger prepared to visit London. Some in the Foreign Office, as well as the Minister for Disarmament Lord Chalfont, were tempted to take a strong stance to 'put some backbone into Dr. Kiesinger'. Britain could withdraw troops from Germany, take no interest in future reunification, and argue that the opportunity to strengthen Europe's technological base would be lost.<sup>186</sup> Palliser, however, recommended that Britain persist in beating on the door to entry, as Kiesinger would not change his tactics, a view shared by the British Embassy in Bonn.<sup>187</sup> Palliser's advice was reminiscent of his guidance during the probe that Wilson should aim to play the European statesman, creating genuine ties of interest with the German leader. Kiesinger, he judged, had like many Germans been disappointed by Britain's turn away from Europe after the Second World War. Wilson should aim to play on this aspect of Kiesinger's complex character, affected also by his unhappy childhood. Palliser suggested that:

it is over-simplified to say that this means flattering him: it means something more subtle than flattery. You will continue the process begun so skilfully on your last two visits to Bonn and strengthen both his conviction and his sense of purpose in a way that a crude approach would certainly not achieve.<sup>188</sup>

The strategy adopted by Wilson did engage in some threat tactics, particularly following indications from the Council of Ministers on 23 October that the French intended use Britain's economic weakness to prevent the

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<sup>186</sup> PRO CAB134 2822, EUR(O)(67)122, Visit of Kiesinger to London, Foreign Office, 20 Oct. 1967; on Chalfont's attitude, PRO PREM13 1486, Chalfont to Brown, 20 Oct. 1967

<sup>187</sup> PRO PREM13 1527, Palliser to Wilson, 21 Oct. 1967; PRO PREM13 1485, Bonn to FO, tel.1397, 19 Oct. 1967

<sup>188</sup> PRO PREM13 1527, Palliser to Wilson, 21 Oct. 1967

opening of negotiations. In the Council of Ministers, Couve, apparently to Kiesinger's surprise, took a much more decisive stance against the opening of negotiations than the Germans had expected.<sup>189</sup> The French Foreign Minister argued that the Six could not begin to discuss British entry until Britain could fulfil certain preconditions. Not only was it necessary for Britain's economy to have recovered, but also sterling should be divested of its role as a reserve currency.<sup>190</sup> Kiesinger admitted to Wilson that Couve's stand looked like a veto.<sup>191</sup> The British delegation in Brussels considered that France's position was extremely negative, but pointed out that the Five had stood up well, forcing France out on a limb.<sup>192</sup>

Seeing the French as isolated, the British team stepped up the pressure on the Germans. Wilson stressed that Britain would 'not take no for an answer', would continue to press irrevocably for negotiations to begin. He threatened that the government would have to reconsider various aspects of policy, 'particularly those which were expensive in terms of our balance of payments'.<sup>193</sup> The key issue upon which Britain could exercise some influence was that of the foreign exchange cost of Britain's troops in Germany. As Callaghan emphasised: 'If we made the kind of agreement Sir Frank Roberts had been discussing, the net cost of our forces in Germany would still be about 700m DM a year. We should be much better placed to deal with Couve's

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<sup>189</sup> The suggestion that Kiesinger genuinely believed that the French could be brought to negotiate eventually was made in PRO PREM13 1527, Mitchell to Wilson, 8 Nov. 1967

<sup>190</sup> PRO PREM13 1486, Marjoribanks to FO, tel.9, 23 Oct. 1967; Maitland to Brown, 24 Oct. 1967

<sup>191</sup> PRO PREM13 1527, Wilson – Kiesinger and delegations, 24 Oct. 1967

<sup>192</sup> PRO PREM13 1486, Marjoribanks to FO, tel.9, 23 Oct. 1967; Maitland to Brown, 24 Oct. 1967

<sup>193</sup> PRO PREM13 1527, Wilson – Kiesinger and delegations, 24 Oct. 1967

arguments about the British balance of payments if we did not have a burden of this order'.<sup>194</sup>

Yet, Wilson did take a measured approach to threatening the Germans. In the ten years since Macmillan had evoked an isolationist Britain if the Free Trade Area negotiations collapsed, the efficacy of British blackmail had waned further.<sup>195</sup> The withdrawal of forces from the Far East meant that Britain was much more reliant on its European role and could not convincingly argue that Britain would pull out of Europe. As Healey indicated: 'the government had just taken a decision to base their whole defence policy on the defence of the European theatre and to reduce forces outside Europe'.<sup>196</sup>

Moreover, Kiesinger was able to challenge Britain's aims in moving towards a non-proliferation treaty. Britain could not afford to jeopardise German support for the NPT. The NPT was potentially damaging to Germany's interests and they sought a guarantee against the Soviet use of political blackmail in dealing with the non-nuclear powers, as well as the use of EURATOM safeguards. Kiesinger emphasised that he could do no more to bring the Germans to accept the NPT.<sup>197</sup> Trading threats was ineffective not only because of the lack of muscle behind Britain's approach; it was also dangerous as German support was essential to Britain's other foreign policy objectives. Kiesinger's visit to London and Couve's hard stance did in any case seem to have put new rhetorical life into the German Chancellor's support for the application. In the Bundestag both Kiesinger and Brandt

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<sup>194</sup> *ibid.*

<sup>195</sup> On Macmillan's suggestion of these tactics Ellison, *Threatening, op.cit.*, pp.200-201

<sup>196</sup> PRO PREM13 1527, Wilson – Kiesinger and delegations, 24 Oct. 1967

<sup>197</sup> *ibid.*

emphasised the importance of British entry and the dangers to Europe in its denial. Brandt declared that the Six could not expect Britain to fulfil more stringent 'conditions' than the Six had themselves (and particularly the French) in 1958.<sup>198</sup>

Thus, Wilson's line was quite different to that chosen by the Minister for Disarmament, Lord Chalfont, some days later. In what Chalfont took to be an off-the-record conversation with journalists following an EFTA meeting in Lausanne, he resorted to a 'fortress Britain' approach.<sup>199</sup> He told journalists that if de Gaulle should veto, Britain would reappraise her European policy. The UK would withdraw completely the BAOR, cut loose from the Four Power Agreement in Berlin, abandon support for the reunification of Germany and reduce Britain's political and defence commitment to Western Europe.<sup>200</sup> Chalfont decided unilaterally to make this statement, but it did reflect his previously declared belief that de Gaulle would be unable to veto and that British pressure could force him to give way.<sup>201</sup> He presumably thought the statement would have some impact. It did not: reaction from the continent was muted.<sup>202</sup> The Foreign Office repudiated Chalfont's comments with a side-swipe at the Minister for Disarmament: 'The Permanent Under Secretary said the Foreign Office were the true gospel'.<sup>203</sup>

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<sup>198</sup> PRO PREM13 1489, Bonn to FO, tel.1449, 27 Oct. 1967; FCO30 192, Bonn to FO, tel.1450, 27 Oct. 1967; Bonn to FO, tel.1444, 26 Oct. 1967; Dean to Gore-Booth, 1 Nov. 1967

<sup>199</sup> Alun Chalfont, *The Shadow of My Hand: A Memoir* (London: Wiedenfeld and Nicolson, 2000), pp.122-123; Wilson, *Labour, op cit.*, p.445

<sup>200</sup> *Daily Mirror*, 'The Rumour that Shook Europe Last Night', 28 Oct. 1967, Kitzinger, *Second Try, op.cit.*, p.301

<sup>201</sup> PRO PREM13 1484, Chalfont to Wilson, 19 July 1967

<sup>202</sup> PRO FCO30 192, Bonn to FO, tel.1455, 29 Oct. 1967

<sup>203</sup> PRO FCO30 192, FO to Bonn, tel.2754, 29 Oct. 1967; Bonn to FO, tel.1455, 29 Oct. 1967

### **Five Minutes to Midnight<sup>204</sup>: Devaluation, November 1967**

On 18 November, the British were finally forced to devalue the pound. The Arab-Israeli war and a dock strike in Liverpool were the latest blows that prevented the improvement in the balance of payments that had been evident in April 1967. The decision was reached with great reluctance and because there were no longer any alternatives. Persistent disequilibrium strengthened the case for devaluation: the longer Britain's economy was weak the harder it was to show that other economic policies would work. France's attitude to sterling was one factor ensuring devaluation was at the forefront of European minds. French obstructionism also played a part in ruling out an acceptable support package for sterling.<sup>205</sup>

Sterling devaluation was the most significant feature characterising de Gaulle's veto on British accession delivered at a press conference on 27 November. Persistent economic weakness had been important in diminishing the Five's determination to stand up for Britain and was essential to de Gaulle's steady undermining of Britain's case. Yet, devaluation did not provide the essential pretext without which de Gaulle would have left well alone: indications were that regardless of the devaluation de Gaulle was preparing opinion for a veto. Reilly reported that de Gaulle was fuelling economic doubts about British accession, such as the competition posed by Britain's steel exports and from New Zealand's dairy products. The mainstay of his argument was that sterling's weakness meant Britain would be unable to

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<sup>204</sup> Comment made by Callaghan, cited in Wilson, *Labour, op.cit.*, p.449

<sup>205</sup> Pimlott, *Wilson, op.cit.*, pp.466-482; Wilson, *Labour, op.cit.*, pp.570-583

take on the obligations of membership.<sup>206</sup> Reilly felt that de Gaulle would wait until early in 1968, when the French Assembly would be in recess until April and France would have the chair of the EEC Council of Ministers. This would enable de Gaulle to ride out any unpleasant reaction from public opinion before he made further moves against the Atlantic Alliance, now intended for 1969.<sup>207</sup>

It was extremely difficult to refute the French case that Britain's sterling obligations prevented the British from playing a full part in the EEC. The Treasury attempted to show that the reserve role of sterling would not impede Britain's involvement in European projects. In the Chancellor's Mansion House speech on 26 October, he emphasised that the world's system of reserve currencies was evolving and over time, Britain's reserve currency functions would disappear. Although a common currency in the EEC was not now a reality, Britain's membership would bring British and European policies closer together. If the Six had any ideas about solutions to the reserve role of sterling, then Britain was happy to discuss them. Yet, it was unrealistic to expect that Britain could simply 'end' the reserve role of sterling, not least because of the many holders of sterling and its global trading role.<sup>208</sup>

On 13 November, Wilson launched Britain's proposals for a technological community. He met the criticism in the Commission's Opinion that Britain would not merge with the continental economies by showing that the Six and Britain could create a European Institute of Technology to examine industry-by-industry areas for co-operation. Britain also wanted to

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<sup>206</sup> PRO PREM13 1486, Reilly to Gore-Booth, 26 Oct. 1967; PRO PREM13 1487, Paris to FO, tel.1108, 7 Nov. 1967

<sup>207</sup> PRO PREM13 1486, Reilly to Gore-Booth, 26 Oct. 1967

<sup>208</sup> PRO FCO30 112, Draft by Roger Lavelle for Mansion House speech, 26 Oct. 1967

investigate the creation of European companies.<sup>209</sup> As *The Times* pointed out, the idea was a catch-all solution. It appealed to opinion in the City after French stickling over sterling and it revived Wilson's stress on the 'white-hot technological revolution' that had 'so profoundly excited his own party before the 1964 general election'.<sup>210</sup>

It was clear that technological collaboration could only come after Britain's admission to the EEC. There had been suggestions from the Cabinet Office that Britain should start planning for technological links regardless of the immediate prospects for accession.<sup>211</sup> Pressure from the EEC meant that Britain had to flesh out the proposal, but the architects of the project, Wilson, Trend and the government's Chief Scientific Adviser, Sir Solly Zuckerman insisted that EEC membership had to come first.<sup>212</sup> Wilson argued that exclusion from the Community would squander the opportunity for links. The EEC would be unable to stand up to the USA and the Five would lose the benefits of access to Britain's advanced knowledge. Britain's contribution was valuable because of Britain's highly developed computer industry, leadership with Germany in telecommunications and gas-cooled nuclear reactors.<sup>213</sup>

A well-presented idea, Wilson's launch of the technological community was undermined by Britain's weak economy. The European press could not help but comment on the problems of the British economy, questioning Britain's ability to deliver technological expertise. The Belgian Independent paper, *Le Soir*, for example, commented that while there was

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<sup>209</sup> Guildhall Speech, 13 Nov. 1967, Kitzinger, *Second Try*, *op.cit.*, pp.307-310

<sup>210</sup> *The Times*, 'Mr. Wilson offers Six a Plan for European Economic Union', p.1, 14 Nov. 1967

<sup>211</sup> PRO PREM13 1851, Technological Collaboration, Nield, 1 Nov. 1967

<sup>212</sup> PRO PREM13 1851, Wilson – Trend – Zuckerman, 2 Nov. 1967

‘widespread recognition of the boldness of Wilson’s plan’, there were significant economic problems: ‘although Britain has a very real technological contribution to offer, her economy is in a state of stagnation and there is no visible hope of a solution’.<sup>214</sup> In Britain, *The Economist* noted that technological links would be excessively expensive. Britain could ill-afford ‘co-operation on an industrial level to sell products to an as yet non-existent buyer’.<sup>215</sup> After devaluation, potential commentary on the technological community was lost. Wilson wanted to draw attention to the positive reaction of the European ministers to the technological community idea. He commented: ‘because of sterling our press carried little of European ministers’ and press comments’.<sup>216</sup> To rectify this, Wilson suggested planting a question in the House of Commons: ‘Assemble [European press cuttings] and put in library of House of Commons - with inspired question’.<sup>217</sup>

France’s attitude towards the British application had a part to play in the eventual devaluation of the pound. By 4 November, Wilson indicated to the Chancellor that, although he remained unconvinced that the critical point at which to jump had been reached, there would be no ‘political veto’ on a change in parity.<sup>218</sup> The French case against sterling, combined with anxiety amongst the Five as to the ability of the British to hold the rate led to the inclusion of sterling devaluation on the agenda of the EEC Finance Ministers meeting in November. Evidence of the Finance Ministers’ doubts led to

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<sup>213</sup> PRO CAB134 2822, EUR(O)(67)126, The Industrial and Technological Advantages of an Enlarged Common Market, Secretaries, 17 Oct. 1967

<sup>214</sup> PRO PREM13 1728, Brussels to FO, tel.645, 15 Nov. 1967

<sup>215</sup> *The Economist*, ‘Technology: Europe and Wilson’, p.770, 18 Nov. 1967

<sup>216</sup> PRO PREM13 1728, Wilson note, undated

<sup>217</sup> *ibid.*

<sup>218</sup> Wilson, *Labour, op.cit.*, pp.447-8; PRO PREM13 1477, Wilson to Callaghan, 5 Nov. 1967



adverse speculation in the currency markets.<sup>219</sup> Contingency planning in Number Ten and the Treasury intensified, with Wilson and Callaghan still uncertain. If an acceptable international package could be obtained, it would be better to hold the rate and to act from strength at a more convenient time. On 13 November, the Central Banks of the Group of Ten met in Basle.<sup>220</sup> The USA, the Germans and the Italians wanted Britain to hold the rate, but the French and Belgians thought that Britain would be unable to avoid devaluation.<sup>221</sup>

The support package Britain required was a standby from the IMF of \$3bn. France's obstructive attitude was one factor militating against an acceptable package. In a meeting with the Chancellor, Armstrong and Trend, the Treasury representative explained:

The US was still pressing on Germany and Italy to contribute to a major support operation to prevent devaluation. The main US plan was for a \$1.4bn standby from the IMF. Fowler still felt that the IMF should be prepared to allow us a standby exceeding 200% of our quota. The general view was, however, that time would be needed to negotiate this and there was the possibility that the French would obstruct... The Chancellor commented that if the French were going to make the IMF so difficult to work, then it cast a grave doubt on the value of the IMF itself.<sup>222</sup>

There were factors other than French opposition in the failure to secure a package. The conditions attached would be politically onerous and it was not

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<sup>219</sup> Wilson, *ibid.*, p.448

<sup>220</sup> *ibid.*, p.453

<sup>221</sup> BOE, OV44 143, Baldwin Note for the Record, Report of Central Banks Meeting in Basle, 13 Nov. 1967

<sup>222</sup> BOE, OV44 140, Baldwin note recording meeting with Chancellor, Governor of the Bank, Armstrong, Trend, Morse, Posner, 15 Nov. 1967; *The Economist*, 'Devaluation', p.825, 25 Nov. 1967

at all clear that the standby would constitute the full amount. An alternative of support from the IMF and accumulation of guaranteed sterling by the US and the European Central Banks could be forthcoming, but the prospects for this were uncertain.<sup>223</sup> The US had offered to purchase \$500m of guaranteed sterling on the condition that the Europeans took up a corresponding amount.<sup>224</sup> The French were opposed to this and the Italians uncertain.<sup>225</sup> Even if a package did emerge, Trend wondered whether the British should accept the conditions that would inevitably be attached.<sup>226</sup>

On 14 November, Trend warned 'it is only sensible to bring our contingency planning for devaluation to a high state of readiness - we must make sure, so far as we can, that it is an orderly affair rather than a headlong rout'.<sup>227</sup> The Chancellor felt that it would be difficult to get an adequate package. Even if support was forthcoming, the subsequent months would be very tight and Britain's ability to claim support exhausted. The benefits of attempting to wait for a few more months were therefore unconvincing.<sup>228</sup> Surprisingly, Callaghan reported that Brown was now wavering in favour of holding the rate:

[the Foreign Secretary] now questioned whether it was wise to take decisions to devalue and to impose further restraints on the domestic economy. The latter was, to the Foreign Secretary's mind, something which would be difficult for the public to bear in the present mood of restiveness on many issues including Vietnam and unemployment.<sup>229</sup>

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<sup>223</sup> PRO PREM13 1477, Trend to Wilson, 14 Nov. 1967

<sup>224</sup> BOE, OV44 140, Baldwin note recording meeting with Chancellor, Governor of the Bank, Armstrong, Trend, Morse, Posner, 15 Nov. 1967

<sup>225</sup> *ibid.*; *The Economist*, 'Devaluation', p.825, 25 Nov. 1967

<sup>226</sup> PRO PREM13 1477, Trend to Wilson, 14 Nov. 1967

<sup>227</sup> *ibid.*

<sup>228</sup> BOE, OV44 140, Baldwin note recording meeting with Chancellor, Governor of the Bank, Armstrong, Trend, Morse, Posner, 15 Nov. 1967

<sup>229</sup> *ibid.*

Yet, the government had no choice. On 16 November, Cabinet agreed to devalue from \$2.80 to a new fixed rate of \$2.40. Both the Chancellor and the Prime Minister were now certain that the alternatives to devaluation would be worse.<sup>230</sup> Wilson announced the change on Saturday 18 November.

Devaluation stiffened the imperative that Britain should continue to demand negotiations. Turning away from the steady drive towards membership would simply confirm the truth behind France's position, allowing the French to argue that Britain had again excluded herself. Thus, Wilson sent an urgent message to each of the heads of government of the Six that the decision to devalue in no way affected 'our resolve to pursue our declared European policy'.<sup>231</sup> Devaluation left the Five in a tactically difficult position in the Council of Ministers. The Italians, led by Fanfani, and the Dutch, under Joseph Luns, took the view that devaluation should make no difference to the Council's discussion of the application. Fanfani suggested that the Six should help Britain to get the most out of devaluation and Luns said the Dutch would prefer to press on, leaving economic and financial questions to await further clarification. Germany, Belgium and Luxembourg attempted to mediate. Gregoire, the Luxembourg Foreign Minister, suggested the Commission should update the Opinion on Britain's membership and Brandt, supported by Harmel, urged that Britain should help with the revision.<sup>232</sup>

The Five's attempts to sympathise with the British position, reflecting a tacit acknowledgement that French tactics had gone too far, provoked an

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<sup>23</sup> PRO CAB128 42, CC(67)66<sup>th</sup>, 16 Nov. 1967

<sup>231</sup> PRO PREM13 1487, FO to Vienna, tel.472, 19 Nov. 1967

<sup>232</sup> PRO FCO30 95, Brussels to FO, tel.370, 20 Nov. 1967

undesirable reaction from the French. Couve argued that the Five had forged a conspiracy against the French, implying exactly a Five-One split all had been keen to avoid. He made clear the French held as preconditions against accession the recovery of the British economy and the end of the reserve role of sterling. Unwilling to take on the position of saboteurs, the Five did not attempt to dispute the substance of Couve's position. The Commission stood up well, Rey arguing that the Opinion had already dealt with devaluation and that negotiations should therefore begin. The Council agreed that the Commission should conduct a supplementary review for consideration at the end of December and an oral report in mid-December.<sup>233</sup> Ostensibly then, devaluation made little difference to consideration of the British application in the Council. The Five continued to deal with Britain's application as if negotiations would begin, the French to present obstacles. Wilson commented to Brown: 'I expect you will be working out how sterling devaluation could be turned to account in relation to our application to join the Common Market. Clearly it ought to help - certainly it undermines part of Couve's stated position'.<sup>234</sup>

Despite the Five's support, devaluation did weaken Britain politically and provided exactly the justification of public opinion de Gaulle needed to bring forward his veto on the opening of negotiations. Such overt expression of Britain's economic struggle confirmed the currents of opinion de Gaulle had been stirring since his press conference in May. His press conference on 27 November caused no surprises.<sup>235</sup> He used the evidence of devaluation to argue that Britain was unsuitable for membership and had tried to get in too

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<sup>233</sup> *ibid.*

<sup>234</sup> PRO PREM13 1487, Wilson to Brown, 24 Nov. 1967

soon. Primarily, he concentrated on the fact that British entry would transform the nature of the Community of the Six: 'the question is whether this could be done today without tearing apart, without breaking up what already exists'.<sup>236</sup> He argued that Britain's application for membership was too early 'with really extraordinary insistence and haste' and was made in the light of Britain's realisation of her political weakness and economic failure.<sup>237</sup> He questioned Britain's ability to accept the provisions of the Community: 'why negotiate over clauses which one would have accepted entirely in advance?' For Britain to enter, he continued, the British would need to undergo a 'radical transformation'.<sup>238</sup>

The Commission's Opinion, he continued, showed how irreconcilable, because of the chronic balance of payments weakness, was Britain's economy with the Common Market. Furthermore, Britain's system of feeding herself was incompatible with the CAP. Britain would be unable to accept the Community's agricultural levy system, as it would be a 'crushing burden' on the British.<sup>239</sup> Sterling's weakness, illustrated by devaluation, Britain's debts to the international community and the international character of the pound meant that British entry would disturb the financial solidarity of the Six. Britain's entry would inevitably 'break up a Community that was built and operates according to rules which do not tolerate such a monumental exception'.<sup>240</sup> Britain, 'owing precisely to its currency, its economy and its

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<sup>235</sup> De Gaulle's Press Conference, 27 Nov. 1967, Kitzinger, *Second, op cit.*, pp.311-317

<sup>236</sup> *ibid.*, p.312

<sup>237</sup> *ibid.*, p.312

<sup>238</sup> *ibid.*, p.312

<sup>239</sup> *ibid.*, p.315

<sup>240</sup> *ibid.*, p.315

politics, is not at present part of the Europe we have begun to build'.<sup>241</sup>

Negotiations, de Gaulle argued, would lead to the Community's destruction:

the Six [would have to give] their consent in advance to all the artifices, delays and make-believe liable to conceal the destruction of a structure built up at the cost of so much toil and amidst so many hopes... in order that Europe may counterbalance the immense power of the United States, it must not weaken, but on the contrary, tighten the bonds and rules of the Community.<sup>242</sup>

Denying that this was a veto, de Gaulle reiterated that he strongly wished to see Britain one day 'make her choice and accomplish the enormous effort that would transform her'. Britain's exclusion from Europe was her own fault and not that of France:

Therefore, everything depends, not by any means on a negotiation which would set the Six on a course to surrender, thus ringing the knell of their Community, but indeed on the determination and action of the great British people, which could turn them into one of the pillars of a European Europe.<sup>243</sup>

In this way, de Gaulle was able again to equate French interests with the protection of the Community and Britain's position with the destruction of that Community. Delivering the veto when the British were so economically and politically weak clearly did lessen the potential political repercussions of his actions. The veto was grounded in the reality of British problems with sterling about which all the Six had had concerns. Devaluation, however, was just the confirmation of Britain's economic fragility that was the real root of de Gaulle's ability to bar Britain for a second time. He had been preparing

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<sup>241</sup> *ibid.*, p.315

<sup>242</sup> *ibid.*, pp.315-316

opinion for some time and thus there was no shock at the veto.<sup>244</sup> Resigned acceptance of his rebuff was also the result of de Gaulle's intransigence in the wider political environment: simply, de Gaulle cared less about the impact of his actions as he had less to lose than in 1963.

Looking ahead to the longer-term, de Gaulle's veto did not change the fact that the French vision of European unity appeared outmoded. 'The General steered his own sovereign, unfaltering solitary prophetic course in world affairs, contemptuous of public passions and pressures, whether in praising the immutability, impartiality and universality of gold, emphasising Israel abandoning conquests, asserting Quebec's freedom or confining Britain to the limbo of Europe'.<sup>245</sup> Nor did it change the Five's view of how to deal with the application. The Germans reiterated that they intended to maintain that negotiations should begin.<sup>246</sup> Although Britain's economic predicament offered de Gaulle an excuse for his already intended veto; the price for this was the long-term acknowledgement that Britain's part in wider European unity was secured.

#### **The Veto, 28 Nov 1967-20 Dec 1967**

Britain's immediate response to the veto was to reiterate that Britain's application still stood. Britain had applied to the whole Six, not to the French and thus could not withdraw the request.<sup>247</sup> As *The Guardian* put it: 'Mr.

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<sup>243</sup> *ibid.*, p.317

<sup>244</sup> *The Times*, 'De Gaulle rules out early negotiations with Britain', Charles Hargrove, p.1, 28 Nov. 1967

<sup>245</sup> *ibid.*; *The Times*, 'No Doubt about the veto', Leader Comment, p.11, 28 Nov. 1967

<sup>246</sup> PRO FCO30 192, Bonn to FO, tel.1623, 1622, 1616, 29 Nov. 1967

<sup>247</sup> Hansard, *House of Commons Debates*, 5<sup>th</sup> series, vol.755, col.234, 28 Nov. 1967

Wilson told Parliament yesterday: we have slammed our application on the table and there it is and there it remains'.<sup>248</sup> The swift response to the veto was followed by a Cabinet decision to encourage the Five to tighten their pressure on the French in the Council of Ministers. This shift in tactics was accompanied by the Cabinet's acknowledgement that they had no alternative other than European membership in the long-term: yet, commitment to this principle remained lukewarm.

The Cabinet agreed to coerce the French by encouraging the Five to insist on a date for the opening of negotiations.<sup>249</sup> Primarily, ministers wanted to avoid the uncertainty generated by continuing with the current policy. Failure to take decisive action would nourish the elements of opinion in the Five that tended to agree with the French verdict. Plans for association alternatives could gain currency. The British could not allow opinion to assume that London was contented with the French veto. Continuing to maintain negotiations were possible in the light of de Gaulle's press conference no longer appeared credible.<sup>250</sup>

Furthermore, Britain's actions would have repercussions in NATO and in international liquidity talks. France's withdrawal from the gold pool and purchases of gold created the risk of crisis as the dollar was under pressure.<sup>251</sup> The NATO countries were preparing to take decisions on the Harmel Report on 13-14 December, which outlined a role for NATO in pursuing détente.<sup>252</sup> Brown believed that if de Gaulle vetoed in the EEC, it could make him more

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<sup>248</sup> *The Guardian*, 'Britain's right to be heard', p.1, 29 Nov. 1967

<sup>249</sup> PRO CAB128 42, CC(67)69<sup>th</sup>, 30 Nov. 1967

<sup>250</sup> PRO CAB129 134, C(67)187, The Approach to Europe, Foreign Secretary, 28 Nov. 1967; PRO PREM13 1487, Palliser comments on Crossman to Wilson, 29 Nov. 1967

<sup>251</sup> BOE, OV53 37, Ryrie to Rickett, 28 Nov. 1967

<sup>252</sup> Bozo, *Two Strategies*, *op.cit.*, pp.196-197; Ellison, 'Britain's Place', *op.cit.*



likely to veto Harmel. Alternatively, as in 1966, strong pressure in the EEC to force the breach could make him reluctant to risk twin crises in the EEC and NATO. Brown argued: 'by facing these various issues in isolation, we allow de Gaulle to choose his time for piecemeal attacks and so to defeat us in detail'.<sup>253</sup>

Cabinet's acquiescence to the tactical shift was relatively straightforward. Only Tony Crosland, the President of the Board of Trade, argued that Britain should desist for fear of jeopardising Community development. He disagreed with Brown's contention that Community progress would stall and felt that delay would give Britain's economy time to recover.<sup>254</sup> Crosland's reluctance reflected his earlier attempts to promote 'prenegotiation' with the Commission. In October, the new President of the Board of Trade had wanted to talk with the Commission to find alternatives for meeting the Board of Trade's demands over safeguards from the common external tariff.<sup>255</sup> A further view was forwarded at Cabinet that Britain should simply accept the veto. This aside, there was no opposition to the decision to compel a definite verdict on the starting of negotiations.<sup>256</sup>

There were, however, differing interpretations as to what these tactics meant. Brown argued that the General could be persuaded to yield: 'it is possible that de Gaulle can be forced to give way'.<sup>257</sup> This was unlikely. Whether or not Brown genuinely believed it is unclear. He certainly told Dean

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<sup>253</sup> PRO CAB129 134, C(67)187, The Approach to Europe, Foreign Secretary, 28 Nov. 1967

<sup>254</sup> PRO PREM13 1487, Crosland to Wilson, 29 Nov. 1967

<sup>255</sup> PRO PREM13 1485, Crosland – Rey, 2 Oct. 1967

<sup>256</sup> PRO CAB128 42, CC(67)69<sup>th</sup>, 30 Nov. 1967

<sup>257</sup> PRO CAB129 134, C(67)187, The Approach to Europe, Foreign Secretary, 28 Nov. 1967

Rusk of his intentions and was met by disbelief.<sup>258</sup> Brown's hopes rested also on the notion that the odium created by the obvious breakdown would encourage the Five to paralyse Community development until Britain could join: 'If we are unable to join the Community now, we shall have ensured that bitterness against France will hold up its progress for what may be a long time'.<sup>259</sup> Such a view reflected Brown's earlier hopes that the Five's enthusiasm would confound de Gaulle. The press also maintained belief in the willingness and capacity of the Five to forestall Community development: 'An open crisis in the Common Market is now inevitable'.<sup>260</sup>

Others did not share Brown's optimism as to Britain's ability to influence Community development from the outside. Most notably, Denis Healey, who in April 1967 had commented that the 'General will save us from our folly', wholeheartedly supported Britain's shift in tactics now.<sup>261</sup> Healey's support derived surely from his view that heightening British pressure on the Five would force the veto. He commented: 'do not only push for early negotiations, but that negotiations be concluded quickly, as we do not want the humiliation of a long negotiation and a veto'.<sup>262</sup> Once Britain's bid was removed from the immediate agenda, the British could concentrate on other policies more likely to reap results. He suggested seeking technological links and studying ways in which Britain could develop wider relations between the EEC and EFTA.<sup>263</sup> In this way, the Cabinet's endorsement of leaving the application on the table implied little commitment to the principle of a future

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<sup>258</sup> *FRUS*, Western European Region 1964-1968, vol.xiii, no.280, Rusk to State Department, 13 Dec. 1967; also PRO FCO33 44, FO to Washington, tel.13004, 6 Dec. 1967; Washington to FO, tel.1244, 8 Dec. 1967

<sup>259</sup> PRO CAB129 134, C(67)187, The Approach to Europe, Foreign Secretary, 28 Nov. 1967

<sup>260</sup> *The Times*, 'Moment of Truth for the Common Market', David Spanier, p.1, 28 Nov. 1967

<sup>261</sup> PRO CAB128 42, CC(67)69<sup>th</sup>, 30 Nov. 1967

in Europe. For Healey at least, it was a way of removing the unpopular application from immediate view.

Cabinet's endorsement given, it was relatively easy to persuade the Five to increase their pressure on the French. The Dutch Foreign Minister Joseph Luns argued in favour of stiffening opinion in the Five to discourage support for association alternatives.<sup>264</sup> With de Gaulle's position so clear, there was less risk of offending the French, a consideration thought to be important for the Germans.<sup>265</sup> There was, however, also the sense that some in the Five welcomed the prospect of removing Britain's bid from the immediate agenda in order to facilitate the next stage of their own development. For instance, Harmel suggested phased accession for the British over a transitional period. In the first phase, Britain would discuss the technical problems of integrating Britain's economy to that of the Six and in the second would engage in more detailed talks on the institutional arrangements required. Crucially, Britain would not receive voting rights in the Community at the beginning of the technical discussions.<sup>266</sup> This meant that during the 1969 agricultural review, Britain would be committed to Community membership at the end of the transitional period, but unable to influence the shape of the settlement. While Harmel's proposal constituted a realistic attempt to seek a solution, it also reflected the fact that it would benefit the Five to be able to settle in 1969

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<sup>262</sup> *ibid.*

<sup>263</sup> *ibid.*

<sup>264</sup> PRO PREM13 1487, Luns – Wilson, 5 Dec. 1967

<sup>265</sup> *ibid.*

<sup>266</sup> PRO PREM13 1487, FO to Brussels, tel.2365, 2 Dec. 1967; FO to Brussels, 2367, 2 Dec. 1967; Brussels to FO, tel.698, 1 Dec. 1967

without having to take account of Britain's considerable interests. Lahr also argued in favour of phased accession.<sup>267</sup>

In the Council of Ministers on 19 December, the Five stood up resolutely to the French. First, led by Brandt, the Five showed their total disagreement with Couve's assessments on Britain's economic recovery, arguing that negotiations should start regardless of Britain's economy. Negotiations would provide a stimulus to Britain's economy and Britain could recover alongside negotiations. Brandt also agreed with the Treasury prognosis on the value of the sterling balances. The balances were not, he maintained, the source of volatility and the UK had indicated willingness to discuss solutions and had agreed not to draw on Article 108. Luns, Rey and Harmel affirmed that opening negotiations would help sterling. Fanfani urged that no one state had the right to prevent negotiations and Gregoire argued that the UK's economy was fundamentally the same as the Six's except for the losses incurred during the war. For these losses, the Luxembourgers were extremely grateful. Couve asked whether it could be possible to reach a compromise, as everyone agreed that Britain's economy should first recover and Schiller, the Chair of the Council, supported him. The Five continued to resist and Couve finally admitted there was no agreement on the question of the UK's economic recovery and the start of negotiations.<sup>268</sup>

On the 'conditions' of membership, it was also apparent that the Five thought that if negotiations started, they would succeed. Brandt maintained that Britain would have to accept the CAP and could have a transitional period, although it would help if this were short. Fanfani reiterated that the UK

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<sup>267</sup> PRO FCO30 193, O'Neill – Lahr, 6 Dec. 1967

<sup>268</sup> PRO PREM13 1488, Brussels to FO, tel.89, 19 Dec. 1967

had accepted the CAP in principle and with regard to demands for New Zealand butter and Commonwealth sugar, the UK was not asking for as much as the French had for their African associates. Luns and Harmel both indicated their view that Britain's position constituted a satisfactory basis for negotiations and Gregoire professed that the UK should have the same period to adapt to the agricultural prices as the Six had required themselves. It was not in the Community's interest to place too heavy a burden on the UK. Precise solutions to the difficulties would, it was plain, prove difficult to reach. Brandt indicated the German view that in the enlarged Community, it would be necessary for states to hand over 90% of their levy payments to the FEOGA (Guidance and Guarantee Fund). This would, he admitted, place a heavy onus on the UK, but felt that the requirement to admit New Zealand butter and Commonwealth sugar would burden the Community.<sup>269</sup>

The communiqué issued by the Council left no doubt that only France opposed the extension of the Communities. It stated first that although no member state raised objection in principle to enlargement, one member state believed that enlargement would modify the Community in a 'profound fashion'. Second, all members thought that Britain's economy needed to recover first, but 'several' (thought to mean all Five) did not regard complete recovery as a precondition of membership. Five member states believed that negotiations could occur alongside economic recovery. One member state thought that recovery of the British economy should be concluded so that the UK's economic requirements could be reconsidered.<sup>270</sup> Harmel told the press that British exclusion thwarted the objectives of the Treaty of Rome:

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<sup>269</sup> *ibid.*

<sup>270</sup> PRO PREM13 1488, Brussels to FO, tel.421, 19 Dec. 1967

without in any way abandoning our structure and our realisations, we could build an enlarged Community even more unified and stronger with a view to attaining fully and quickly the political and economic objectives of the Treaty of Rome. This hope has been disappointed today in conditions which seriously hinder the process of unification of Europe.<sup>271</sup>

Luns agreed that France's obstructionism blocked the development of the Community and the Commission reiterated that negotiations should open.<sup>272</sup> De Gaulle and the French were therefore clearly isolated. The Foreign Office's guidance telegram stressed that given the support of the Five and public opinion, Western Europe would inevitably one day find unity.<sup>273</sup> Harmel's statement that enlargement was the way to unify Europe showed the defeat for de Gaulle's longer-term vision: a defeat replicated in France's signature to the Harmel Report confirming NATO's role in the pursuit of East-West peace.

Following the veto, Cabinet agreed that they should seek to 'strengthen the determination and the position of the Five' against the French.<sup>274</sup> The tactical choice in favour of making links with the Five equated with a confirmation of the principle that Britain would have to seek membership of the Community eventually. Brown told the House that afternoon: 'I reaffirm that today we continue to believe that the long-term interests of this country and of Europe require that we should become a member'.<sup>275</sup> The reasons for this decision had not changed. An official paper reiterated the arguments of April 1967. In the long-run, there existed no satisfactory alternative economic

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<sup>271</sup> PRO PREM13 1488, Brussels to FO, tel.763, 20 Dec. 1967

<sup>272</sup> PRO PREM13 1488, The Hague to FO, tel.573, 21 Dec. 1967; Brussels to FO, tel.429, 21 Dec. 1967

<sup>273</sup> PRO PREM13 1488, FO statement, 19 Dec. 1967; *The Times*, 'France votes to bar Britain's entry into the Common Market', p.1, 20 Dec. 1967

<sup>274</sup> PRO CAB128 42, CC(67)73<sup>rd</sup>, 20 Dec. 1967

grouping with which Britain could join. To sustain political strength and influence, Britain needed access to the EEC's large and sophisticated market.<sup>276</sup>

Cabinet's acquiescence to the restatement that Britain had nowhere else to go Europe remained, as it was in April 1967, reluctant and resigned. In the long-term, there was no alternative, but without the immediate need to take decisions on the shape and form of the settlement, this was a relatively meaningless proposition. For Brown, the statement that Britain had no choice but Europe was clearly a commitment, but for others it was not. Cabinet agreed because to disagree would hand de Gaulle a victory. Failing to renew the strength of Britain's case would show de Gaulle to be right in his judgement that Britain remained a power with extra-European interests. Crossman commented 'the French veto...hadn't been made to look so depressingly important as I had expected'.<sup>277</sup>

Furthermore, the Cabinet were not particularly interested in the application. In the wake of devaluation, the Cabinet were directionless and defeated. The Cabinet was preoccupied with the ethical issue of arms sales to apartheid South Africa and alarmed by the new Chancellor's, Roy Jenkins' revelations that devaluation was not working. There was still a lack of enthusiasm for the decision to seek EEC membership over the long-term, shown by the fact that neither Castle nor Benn mention it at all.<sup>278</sup> In the immediate political environment, Jenkins' accession as Chancellor made a

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<sup>275</sup> Hansard, *House of Commons Debates*, 5<sup>th</sup> series, vol.756, col.1268, 20 Dec. 1967

<sup>276</sup> PRO CAB134 2822, EUR(O)(67)132, The Consequences of UK Exclusion from the EEC, Secretaries, 21 Dec. 1967

<sup>277</sup> Crossman, *Diaries*, vol.2, *op.cit.*, p.612, 20 Dec. 1967; he meant that the problem of South African arms sales had overshadowed the veto, but the point is this shows the need to mitigate humiliating defeat.

difference, as now the three leading ministers – Prime Minister, Foreign Secretary and Chancellor – all supported a turn to the EEC. Crossman wrote:

George... and the Prime Minister wanted to stand on the doorstep and try and get in at all costs...I find this policy extremely unattractive since I take Blankenhorn's [the German Ambassador in Britain] advice and would like to launch a British Gaullism as the best method of selling ourselves to Europe. But that's entirely out of tune with Harold and George and I suspect with Roy and it's no good having a dispute with Roy at this particular time.<sup>279</sup>

The decision to sustain the application occurred alongside a decision to accelerate Britain's withdrawal of forces from Singapore and Malaysia, leaving no special capacity there by 1971.<sup>280</sup> Healey argued that Britain had to continue to reduce defence expenditure in order to keep up with Britain's main industrial competitors. Furthermore, Britain's future defence interests lay in Europe with the possible creation of a European defence caucus within the Atlantic Alliance.<sup>281</sup> Yet, there was still no widespread consensus that the future exercise of Britain's power and Britain's place in the world would be in Europe. Cabinet's decision in April to apply for membership was born from economic defeat. Confirmation of this choice in December stemmed from the deeper defeats inflicted by devaluation and de Gaulle's veto.

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<sup>278</sup> Castle, *Diaries*, *op cit.*, p.170, 20 Dec. 1967; Benn, *Wilderness*, *op.cit.*, p.515

<sup>279</sup> Crossman, *Diaries*, vol 2, *op.cit.*, p.614, 20 Dec. 1967

<sup>280</sup> Carver, *Tightrope*, *op.cit.*, p.84; Pickering, *East of Suez*, *op.cit.*, pp152-171

<sup>281</sup> PRO CAB134 2822, EUR(O)(67)132, The Consequences of UK Exclusion from the EEC, Secretaries, 21 Dec. 1967



## Conclusions

What disturbed me about your speech on Saturday was that it had no warmth of feeling for Europe, no sense of regret that you could not approve the terms. If that was really your heart and mind about the matter, was it right to apply?<sup>1</sup>

The transition in Britain's foreign policy between 1964 and 1967 has widely been regarded as inevitable. Writers in the 1970s interpreted the shift from Empire to Europe in terms of the time-lag between economic realities and political perceptions.<sup>2</sup> Northedge, for instance, described the 'inescapable logic of Britain's movement to Europe'.<sup>3</sup> The hard facts about Britain's external position would inexorably translate into policy choices. In this analysis, Wilson's turn to the EEC was the result of the experiences of office, catching up with the Conservatives' reappraisal of 1961.<sup>4</sup> Stewart's note to Wilson as the Labour Party began to turn away from membership in the early 1970s, quoted above, further illustrates a widely held assumption. Once the decision to apply was taken, it was a foregone conclusion that Labour would accept the terms.

This thesis has rejected the interpretation that Britain's turn to the EEC was inevitable and continuous. Rather, it has attempted to reconstruct the way in which policy-makers viewed events at the time. By emphasising the gradual development of policy, this thesis offers three new interpretations of Britain's

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<sup>1</sup> Churchill College Archive Centre, Michael Stewart Papers, STWT7 1 2; PLP, vote for entry into Common Market, Michael Stewart to Harold Wilson, undated circa 1971

<sup>2</sup> Frankel, *Foreign Policy*, *op.cit.*; Northedge, *Descent*, *op.cit.*

<sup>3</sup> Northedge, *ibid.*, p.347

<sup>4</sup> Reynolds, *Britannia*, *op.cit.*, p.190; Lieber, *Pressure Groups*, *op.cit.*, p.261; de la Serre, 'La Position', *op.cit.*, p.890

relations with the EEC. First, it shows that although the government embarked on studies of the implications of British membership in January 1966, the decision to begin an approach to the EEC was the result of the sterling crisis in July. Secondly, the fragmentary development of the government's position towards EEC accession meant that Wilson never fully decided which of the terms of membership the British could accept. Therefore, he did not push a predetermined settlement onto a reluctant Cabinet. In addition, the Cabinet did comprehensively debate the issues surrounding membership. Thirdly, despite the considerable changes in Britain's foreign orientation from 1964 to 1967, Wilson's EEC bid was not a decisive break with the past. The government's foreign policy transition was neither inevitable, nor planned. These three sets of conclusions, addressing the questions posed at the outset of this thesis, will now be discussed in more depth.

The first set of conclusions seeks to elucidate the complex question of the reasons for Britain's decision to seek EEC membership and of Harold Wilson's ambiguous attitude. Why did the British have to consider EEC membership at all? To assess this, historians have drawn a useful distinction between economic and diplomatic motivation.<sup>5</sup> The reasons for seeking membership in 1961 were predominantly political and remained so under Labour's term in office.<sup>6</sup> The central case was that without membership, the British would be unable to wield political influence in the world. Outside, Britain would find herself side-lined in comparison to the giants of the USA

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<sup>5</sup> Ellison, *Threatening*, *op cit.*, pp.1-10

<sup>6</sup> Ellison, 'Accepting', Kaiser and Staerck, *Contracting*, *op.cit.*, pp.178-182

and the EEC, relegated to the status of a 'greater Sweden'.<sup>7</sup> British participation in the EEC would also help to strengthen Atlantic influence within Europe and to augment Britain's influence with the USA.

Economically, acceptance of European integration was more complicated. In the long-term, the British did need access to the larger European market so as not to fall behind European competitors and to accelerate existing changes to the structures of industry. Membership of the EEC would also provide access to a sophisticated and larger market to help encourage development in new technological industries.<sup>8</sup> In the short-term, the economic case for membership was not decisive and rested principally on the dangers of exclusion. The strength of the Community meant that the EFTA countries and the Commonwealth were looking to make association arrangements with the EEC. As the world divided into regional trading blocs, Britain could find herself politically weakened and economically isolated. Membership would strengthen Britain's voice in international trading forums such as GATT and the UNCTAD, enabling Britain to pursue more effectively traditional goals of global tariff reductions.<sup>9</sup> The weak state of sterling meant that it could be a positive jeopardy to express interest in joining the Community. The prospect of the liberalisation of capital movements and the fact that Community membership would rule out the kind of economic controls favoured by Wilson could lead to an anticipatory outflow of capital.<sup>10</sup> Paradoxically, Britain's economy needed to be strong in order to enter; but

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<sup>7</sup> PRO CAB134 2705, E(66)11, Britain and Europe, First Secretary and Foreign Secretary, 18 Oct. 1966

<sup>8</sup> PRO CAB134 2705, E(66)11, Economic Implications, Officials, 20 Oct. 1966

<sup>9</sup> PRO T312 1011, Pitblado Report, 11 Sept. 1964; PRO CAB134 1473, CCP(65)31, Report on the 22<sup>nd</sup> Session of the Contracting Parties of the GATT, 2-26 March, Sir Richard Powell, 10 May 1965

until the fate of the pound became secure, it was difficult to convince world opinion of Britain's economic health. Whilst turning to Europe was a way of bolstering Britain's economic potency, it could also create doubt as to the immediate prospects for sustaining the parity of sterling.

The central contention of this thesis is that diplomatic and economic considerations form only a partial explanation of Wilson's policy towards the EEC. The spur for his decision to embark on a European initiative in October 1966 was in fact primarily a domestic one, a consequence of the crisis generated by the difficulties of sterling in July. This observation suggests a different interpretation from that offered by Young's 1993 study. Young argues that Wilson intended a European initiative from some point during his first term in office, but cleverly disguised his intentions from his colleagues for domestic reasons.<sup>11</sup> Evidence would suggest that Wilson certainly recognised the need to address the long-term case for entry from as early as 1965. Yet, the multiple obstacles to entry meant it was far from certain that he would choose to instigate an initiative for membership in the short-term. In fact, studies begun in January 1966 indicated reasons why the government should desist from an immediate initiative. Sterling could come under threat because of the changes to rules on capital movements and there appeared no way around de Gaulle's obstruction.<sup>12</sup>

The July 1966 sterling crisis created certain pressures that forced Wilson's hand in deciding to embark on an initiative for short-term membership. The destabilisation of the Cabinet made the Prime Minister

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<sup>10</sup> PRO CAB134 1772, EEP(65)24, Financial and Monetary Implications of Membership of the EEC, Treasury, 6 Apr. 1965; PRO CAB130 298, MISC(126)1<sup>st</sup>, 22 Oct. 1966

<sup>11</sup> Young, *Britain, op.cit.*, pp.88-89

anxious for the safety of his own position. Moving George Brown to the Foreign Office in August 1966 was a consequence of this with implications for the government's turn to the EEC.<sup>13</sup> Wilson also faced pressure from the USA to show his hand in favour of eventual membership and domestic discontent from the party, unions and business.<sup>14</sup> Yet, his shift in October was more than just a capitulation to increased demands for a move. It was the only way in which the government could hope to show exactly how it intended to restore economic growth after the failure of the government's flagship policy, the National Plan. The central argument, as Young shows, was the long-term case that the government had no alternative.<sup>15</sup> Yet, Wilson only agreed to address this with ministers after the government's own plans for economic regeneration had comprehensively failed. Cabinet's acquiescence to the application for membership in 1967 resulted largely from the collapse of their economic options after the failure of the Plan.<sup>16</sup>

The importance of domestic politics to the second application raises further questions as to the role of European policy in Britain's wider policy making. Wolfram Kaiser argues that the British used the EEC as a policy tool with which to secure objectives other than Britain's membership of the EEC. For example, he sees Britain's first turn to Europe as a means of convincing the US government to provide Britain with Polaris missiles.<sup>17</sup> He has also argued that Britain's second application was a means of assuaging domestic

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<sup>12</sup> For example, PRO CAB134 2705, E(66)2, Future Relations with Europe, Official Report, 5 May 1966

<sup>13</sup> PRO FO371 188347/M10810 458, How to Get into the Common Market, Brown comments, 18 Aug. 1966

<sup>14</sup> Ellison, 'Britain's Place', *op.cit.*; for examples of union, business and party discontent, PRO PREM13 859, Wilson – TUC Economic Committee, 26 July 1966; Wilson – CBI, 2 Aug. 1966; Wilson, *Labour*, *op.cit.*, p.261

<sup>15</sup> Young, *Britain*, *op.cit.*, p.95

<sup>16</sup> Benn, *Wilderness*, *op.cit.*, p.496

opinion and outflanking the Conservative leader Edward Heath <sup>18</sup> While such considerations were part of Wilson's motivation, this thesis fundamentally rejects Kaiser's approach on methodological grounds. Kaiser uses the possible results of policy to justify why that policy was made, whereas this thesis interprets policy decisions as the response to a variety of pressures. Although Wilson's decision was partly in order to hold the government together in the wake of the crisis, the need to do so was a reaction to the tensions generated by the crisis. Essentially, Kaiser makes a monocausal judgement. This thesis hopes to show that policy was always multi-faceted. As Ellison has noted of Britain's policy to the creation of the EEC, it 'is a historical question too complex to lend itself to condemnation or vindication'. <sup>19</sup>

However, Kaiser does raise some interesting points as he does attempt to bridge the gap between diplomacy, economics and the domestic political environment. Some ministers did in fact see the European initiative as a means of ensuring Labour's continued electoral appeal following the failure of the Plan. Barbara Castle explicitly argued that it was necessary to turn to Europe in order to stay in power, but that it would still be possible to pursue 'socialist' policies in other areas. <sup>20</sup> Callaghan also argued that without the EEC bid, the government would be unable to guarantee the strength of sterling in the immediate term. <sup>21</sup> While such motivations were part of the government's decisions, it was also more than just a rational calculation. For some ministers, such as Brown and Stewart, the initiative was a genuine attempt to find a role for Britain. Additionally, once Wilson had taken the decision, he wanted it to

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<sup>17</sup> Kaiser, *Using, op.cit.*, pp.116-173

<sup>18</sup> Kaiser, 'EEC Applications', *op.cit.*, pp.71-72

<sup>19</sup> Ellison, *Threatening, op.cit.*, p.222

<sup>20</sup> Castle, *Diaries, op.cit.*, pp.120-121, 21 Mar. 1967

work. During the probe, he did not simply seek domestic gains or French isolation, but aimed to build support for Britain's membership of the EEC over the longer-term.

The analytical distinction discussed above between diplomatic and economic motivation arose in part from Alan Milward's work. Milward has advanced a general theory as to why nations accepted supranational integration, identifying their need to recreate the basis for social and economic policies after World War Two.<sup>22</sup> Thus, nations chose supranational integration not as a political attempt to supersede the problems created by competing nation states, but to underpin the legitimacy of their economic policies. He writes: 'If we ask why Europe had to be organized (sic) in this particular way the answer seems clear. The will of the European nation-state to survive as an organizational entity depended on the prosperity which sustained the domestic post-war political compromises everywhere'.<sup>23</sup> This argument begs questions of how the government viewed supranationality and of the relationship between economic policies and the EEC bid. In terms of the form of integration, the British were faced with little choice: the EEC already existed. Ministers accepted that a clear rejection of supranationality before membership would be tactically unwise. Indications that the French were able to get their own way despite the Community's supranational provision may also have helped to minimise discontent.<sup>24</sup>

If there was a positive reason for accepting supranationality as opposed to any other form of integration, then that reason was political. In the Foreign

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<sup>21</sup> Crossman, *Diaries*, vol.2, *op.cit.*, p.117, 9 Nov. 1966

<sup>22</sup> Milward, *European Rescue*, *op.cit.*, pp.2-12

<sup>23</sup> *ibid.*, p.223

<sup>24</sup> PRO CAB134 2705, E(66)3<sup>rd</sup>, 22 Oct. 1966

Office, officials believed that majority voting inside the EEC could suit Britain's interests, as Britain would hope to command a blocking majority and so could defend national objectives from within the Community framework.<sup>25</sup> Underlying this was a recognition that the Community would change with the Cold War. As détente became a reality, so German reunification became a possibility. It was only with British and French participation in the supranational framework that German growth could be contained.<sup>26</sup> This was the basis of the British response to de Gaulle's 'European Europe': that national independence could not form the basis for the defence of Europe because Germany would ultimately prove too strong.<sup>27</sup> The days of a possible Anglo-French-USA political organisation at the head of NATO were over.<sup>28</sup> Any arrangement would have to include Germany. France alone could not contain German strength. Thus, the only positive reasons for accepting supranationality were political.

Furthermore, while the failure of the National Plan was central to Britain's acceptance of the initiative, the government did not plan for supranational integration as a means of meeting their economic difficulties. There was a recognition that turning to Europe would help to encourage business confidence and investment, enabling the government to cope with the crisis in economic policy created by the July deflation.<sup>29</sup> Yet, while Britain remained outside the EEC and while membership was not assured, it was not

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<sup>25</sup> PRO FO371 182400/M10836 37G, SC(65)27, British Policy towards developments in the EEC, Foreign Office Steering Committee, 20 Sept. 1965

<sup>26</sup> On France's inability to contain Germany in the long-term, PRO CAB148 69, OPD(66)9, The International Consequences of General de Gaulle's Foreign Policy, Foreign Office, 25 Mar. 1966

<sup>27</sup> In particular, PRO PREM13 897, Palliser to Wright, 21 Oct. 1966

<sup>28</sup> PRO FO371 173316/WP19, SC(63)20, Policy towards France, Foreign Office Steering Committee, 3 July 1963



in Britain's national interests to base economic strategy around membership. This was evident in Britain's technological community idea. Collaboration with the EEC to prevent American domination in aircraft, computers and civil nuclear energy was one objective of policy regardless of EEC membership. Without the assurance of reciprocal participation in the wider market, it was not in Britain's interests to allow the EEC access to British knowledge.<sup>30</sup> Moreover, EEC membership did not provide an alternative to taking essential decisions on a national basis: membership could only ever be a part of the answer to Britain's economic difficulties. In areas such as reducing the cost to the Exchequer of deficiency grants to farmers and of securing a limitation to the quantity of low cost agricultural imports, EEC membership would obviously help.<sup>31</sup> In other areas, such as changes to the regulations on capital movements, it could cause unwelcome distortion. Although there were economic reasons behind the government's choice, EEC membership was not part of an overarching strategy for economic recovery.

These observations place British policy more in line with Young's analysis. Young argues that as Britain's national interests changed, so Europe came to assume a greater importance to the British, but that this did not mean that all national interests had changed. Thus, an understanding of how the British viewed their own essential interests can explain both the turn to Europe and the reasons why the British experience continued to be different to that of

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<sup>29</sup> PRO CAB134 2705, E(66)11, Britain and Europe, First Secretary and Foreign Secretary, 18 Oct. 1966

<sup>30</sup> PRO PREM13 1850, Trend to Wilson, 5 Jan. 1967

<sup>31</sup> Kaiser has also made this point, Kaiser, *Using. op.cit.*, p.141

the Europeans.<sup>32</sup> The importance of domestic politics to the Wilson initiative means that Young's theory can be taken one stage further.

Essentially, while the Cabinet accepted that Britain had no choice but Europe in the immediate term because of the failure of the National Plan, they did not accept that a future in Europe was in Britain's national interests. Because the long-term compulsion showed that Britain had no choice and because the government's economic alternatives had failed, Wilson's initiative implicitly addressed Britain's national identity and future role. Some commentators have argued that European membership was a decision forced upon a reluctant Cabinet and ultimately the public by a quasi-conspiracy of officials and ministers who were not told what European membership would 'mean'.<sup>33</sup> However, it would appear that Wilson's initiative failed to bring consensus of opinion precisely because it was openly debated in the Cabinet and ministers were free to discuss Britain's future role. While it is undeniable that Wilson's tactics did edge ministers into a position where it was difficult to oppose making the application, it is also clear that ministers were fully aware that this was a question of Britain's future orientation. For some, European membership clearly was a solution to Britain's difficulties and a way of repositioning Britain on the world stage. For others, it quite simply was not. The multiplicity of opinion meant that there would be as many interpretations of the future as there were Cabinet ministers. Wilson's application built a short-term consensus that there was no alternative: but there was never agreement as to the direction of Britain's national interests and Britain's identity as a nation.

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<sup>32</sup> Young, *Britain, op.cit.*, pp.165-183, esp. p.167

This suggestion leads onto the second set of conclusions, concerning how Britain approached the Community. The assumption in much of the literature is that the government's decision to apply in 1967 equated with a recognition at the top levels of government that it would have to accept all the terms of entry. Young writes: 'all alternatives to EEC membership were ruled out... This was highly important because, by implication (and despite Wilson's repeated stress on the importance of entry terms) it meant that Britain *had* to try to get into Europe – whatever the terms'.<sup>34</sup> While the British had no long-term choice, it is important to note that ministers leading the application had no overriding plan as to the future shape of the settlement under which Britain would accede to the Community. As such, Wilson and Brown themselves did not know what European membership would 'mean'. The clearest indication of lack of foresight can be found in Wilson's comments to *The Guardian* editor Alastair Hetherington. Forced by the realisation that a conditional bid would bring no support in the EEC, Wilson understood that Britain's options were extremely limited. He mooted issuing an unconditional bid, but clung to the idea that Britain would be able to pull back from accepting all the terms at the last minute.<sup>35</sup> At each step Wilson did what he could to deliver a realistic and workable initiative, but this did not imply commitment in the future. Furthermore, Brown pushed Britain's negotiating position through the Cabinet not with an end settlement in mind,

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<sup>33</sup> Wallace, *Domestic Policy*, *op.cit.*, pp.345-348; Jay, *Change*, *op.cit.*, pp.366-389; Evans, *While Britain Slept*, *op.cit.*, pp.11-12, 68; Tratt, *Macmillan*, *op.cit.*, pp.191-196

<sup>34</sup> Young, *Britain*, *op.cit.*, p.99

<sup>35</sup> LSE, Hetherington Papers, 13 21, Meeting with Wilson, 1 Mar. 1967

but with the express aim of getting negotiations started.<sup>36</sup> Policy evolved in reaction to a specific set of circumstances. Britain's acquiescence to the terms of entry was not a once-for-all shift. Agreement now was to meet the specific circumstances of the time and did not necessarily mean endorsement at any future date.

It is clear that Britain's handling of the economic conditions of membership was as good as could be expected. Ludlow has argued about the first application that:

had Macmillan been able to...apply for membership unconditionally, working out the arrangements for the Commonwealth and EFTA from within the EEC, the Six would have been confronted in 1961 with a clear political choice. In these circumstances de Gaulle would almost certainly have been unable to oppose enlargement'.<sup>37</sup>

The second initiative was designed to meet these concerns. During the probe of the countries of the Six, Wilson and Brown progressively played down the 'conditions' that would require safeguards before accession. The application itself attached no prior conditions and Wilson stated also that Britain would be able to adopt the Treaty of Rome.<sup>38</sup> Britain's approach was entirely different to the first attempt. Rather than aiming for sweeping safeguards to the general issues of the CAP and the CET, the British sought to identify specific problems that would require special treatment. Furthermore, the probe was flexible. As it involved no decision in principle, Wilson and Brown were able to meet points as they were raised by the Six, without first consulting the Cabinet. The leeway granted allowed Wilson to say that Britain would not

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<sup>36</sup> PRO CAB128 42, CC(67)44, 3 July 1967

<sup>37</sup> Ludlow, *Dealing, op.cit.*, p.246

want changes to the CAP in advance of membership and to imply that Britain would be able to join in the future development of economic and monetary union.<sup>39</sup> The government did not confer with the Commonwealth, removing one of the principal obstacles to a flexible approach during the Brussels negotiations. Economic interest groups such as industry and the unions, as well as EFTA, were also only to be informed, not consulted.<sup>40</sup> During the period of the application, the British persisted in setting out the fact that their case was sound.

The flexible approach owed largely to the changed attitudes within the Foreign Office. In contrast to Britain's reactive policy towards European integration since 1950, the Foreign Office's policy formulation was now much more proactive.<sup>41</sup> Robinson and O'Neill in particular fronted an approach that sought to maximise Britain's negotiating position by joining the Community and making safeguards from the inside.<sup>42</sup> They were able to set the agenda, as Robinson authored the paper 'Negotiating Objectives' that formed the starting point for interdepartmental discussions.<sup>43</sup> The role played by Burke Trend and Michael Palliser in shaping the initiative and encouraging Wilson to continue was also important. The changing relationship between Britain and the Commonwealth made it yet easier for the Prime Minister to accept the terms, as Commonwealth trade was diversifying and Britain's relations with the Old

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<sup>38</sup> Hansard, *House of Commons Debates*, vol.746, cols.311-314, 2 May 1967

<sup>39</sup> On the CAP, PRO PREM13 1478, Wilson – Werner and delegations, 8 Mar. 1967; on economic and monetary union, PRO PREM13 1476, Wilson – Van den Boeynants and delegations, 1 Feb. 1967, 4pm

<sup>40</sup> PRO CAB128 41, CC(66)53<sup>rd</sup>, 1 Nov. 1966; 54<sup>th</sup>, 3 Nov. 1966; 55<sup>th</sup>, 9 Nov. 1966

<sup>41</sup> Young, *Blessed*, *op.cit.*, pp.172-197; Ellison, 'Accepting', *op.cit.*, pp.184-185

<sup>42</sup> Hannay, *O'Neill*, *op.cit.*, p.356; PRO T312 1011, O'Neill Despatch no.6, 23 July 1964

<sup>43</sup> PRO PREM13 1479, Negotiating Objectives, Robinson, 20 Mar. 1967

Dominions weakening.<sup>44</sup> The simple application also indicated Wilson's tacit recognition that there was no choice if Britain wished to build support amongst European opinion. Conversely, the Foreign Office's proactive attempts to circumvent the French veto meant that Britain's uncluttered initiative was not intended as a sign of weakness. The British did not wish to approach the Community *tout nu*. Rather, Britain's scaled down bid was the best way of preserving Britain's strength. Only by appealing to European opinion would Britain hope to overcome Gaullist opposition and thus preserve goodwill and negotiating advantage once Britain was eventually inside the EEC.

These observations suggest further comments about the relationship between the economic conditions of membership and the short-term failure of Britain's bid. Macmillan's conditional negotiating stance in 1961-3 has been criticised by historians for over-estimating Britain's bargaining power with the Six and for failing to take sufficient account of European opinion.<sup>45</sup> Wilson went as far as he could within domestic constraints to show that Britain did accept the provisions of the Community. The most important reason militating against an unambiguous commitment to the agricultural levies was concern for sterling.<sup>46</sup> The Community's system would impose such a burden on Britain's balance of payments that the prospect of acceptance could precipitate speculation against the pound. Furthermore, Wilson hoped to sustain some negotiating advantage. Immediate surrender would place Britain in an

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<sup>44</sup> PRO CAB134 2804, EUR(M)(67)18, Commonwealth Negotiating Brief, Secretaries, 30 June 1967; PRO CAB129 129, C(67)59, The Value of the Commonwealth, Commonwealth Secretary, 24 Apr. 1967

<sup>45</sup> Deighton and Ludlow, '*Conditional*', *op.cit.*, pp.121-122

<sup>46</sup> PRO CAB129 128, CC(67)44, Agriculture and the Common Market, Secretaries, 30 Apr. 1967

embarrassing diplomatic position, particularly if the French continued to resist British entry anyway.

It does not seem that a less 'conditional' approach would have brought more support from the Five or made it more difficult for de Gaulle to veto. De Gaulle's press conference on 16 May did argue that Britain would be unable to accept the CAP.<sup>47</sup> In this sense, Wilson's unwillingness to accept wholeheartedly the agricultural levy system appeared to play into his hands. However, de Gaulle's justification was not that Britain refused to submit to the rules of the EEC, but that Britain's economic weakness meant Britain would be unable to accept the obligations of Community membership. Even if Wilson had stated unequivocally that Britain wanted to adapt all the provisions of the CAP, de Gaulle would still have been able to argue that the uncertain position of the pound meant that Britain's promise was worthless. Throughout the course of the application, the Five maintained that Britain's case was negotiable, a view vindicated by the Commission's Opinion in September.<sup>48</sup> Although the British had learnt how to present themselves as a European nation, itself a sign of the strength of their approach, Wilson's case was undermined by economic and consequent political weakness.

The question as to why the British failed to secure diplomatic advantage despite the widespread support for their application takes on a different complexion. It was less what the British did, than the fact that they were in a position of excruciating fragility that led to the failure of the bid. This is not to suggest that Britain's diplomacy was flawless. Brown and

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<sup>47</sup> De Gaulle's Press Conference, 16 May 1967, Kitzinger, *Second, op.cit.*, p.183

<sup>48</sup> For example, PRO PREM13 1483, The Hague to FO, tel.290, 4 July 1967; Commission's Opinion, 29 Sept. 1967, paras. 8, 194, Kitzinger, *Second, op.cit.*, p.210, 299; PRO PREM13 1488, Brussels to FO, tel.421, 19 Dec. 1967

Wilson did continue to harbour misperceptions about the Community. Brown in particular displayed a political conception of what the Community was and consequently overestimated the willingness of members of the Five to pressure the French decisively. It was clear by early 1967, for instance, that neither the Germans nor the Italians intended to provoke a breach with de Gaulle, yet Brown persisted in believing that de Gaulle could be forced to give way.<sup>49</sup> He both overestimated Britain's capacity to influence and underestimated the importance of the existing Community to each of the member states. Even after the veto, Brown expected the Five to paralyse Community development in Britain's interests. Wilson mistakenly believed that he would be able to convince de Gaulle to admit Britain in the short-term, displaying little understanding of the extent of the General's obstinacy.<sup>50</sup> However, misperceptions were more important in leading the British to lodge the bid in the first place. Thinking that the bid could work was a signal of desperation generated by the July crisis, but it also showed overestimation of Britain's influence in the EEC.

Why then, did the application fail to secure negotiations in the short-term? Politically, de Gaulle wanted to exclude Britain from the EEC to keep out Atlantic influence. Yet, de Gaulle's wishes were less important than his ability to carry them out. He was able to dominate the EEC and was tactically shrewd enough to prevaricate by playing on genuine doubts and fears within the Community. He adopted the well-used tactic of intimating French withdrawal from the Community, suggesting that British accession before

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<sup>49</sup> PRO FCO30 186, Brussels to FO, tel.14, 19 Jan. 1967; Young, *Britain, op cit.*, p.98; PRO PREM13 909, Brown – Luns, 2 Nov. 1966; PRO PREM13 1475, Brown – Fanfani, 3 Jan. 1967



1969 would push France out.<sup>51</sup> This, coupled with his stress on Britain's economic weakness, nourished doubts amongst the Five as to the wisdom of early enlargement. The Germans feared Britain would be able to call on Article 108 of the Treaty and wanted to begin to fuse the Community before Britain joined.<sup>52</sup> The Italians and Belgians were anxious to complete the Community's transitional period. British entry before 1969 would complicate the 1969 review, reopening the questions of agricultural financing and third country association that had proved problematical between the Six.<sup>53</sup> For these reasons, the Five accepted French delaying tactics, worried that the challenge of enlargement could upset the consolidation of the Community.

De Gaulle was undeniably reluctant to issue a second veto because of the potential impact on domestic opinion. However, despite the poor showing of the Gaullists in the 1967 Assembly elections, de Gaulle was in a stronger domestic position than he had been in 1961-3 and appeared impervious to either domestic or international opinion.<sup>54</sup> As Wilson noted after his talks with de Gaulle in June, de Gaulle's actions could not be predicted 'on the basis of rational judgement'.<sup>55</sup> Delay also allowed opinion to expect a veto, softening its eventual impact.<sup>56</sup> From July onwards, it would appear that de Gaulle was waiting for the right moment to deliver his veto. Indications in October were

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<sup>50</sup> LSE, Hetherington Papers, 13 22, Meeting with Wilson, 19 Feb. 1967; 13 25, Meeting with Wilson, 12 Jan. 1967

<sup>51</sup> De Gaulle's Press Conference, 16 May 1967, Kitzinger, *Second, op.cit.*, p.183

<sup>52</sup> PRO FCO30 187, German Ministry of Finance Note on Monetary Implications, 31 Jan. 1967

<sup>53</sup> PRO PREM13 1475, Wilson – Moro, 17 Jan. 1967, 10am; PRO PREM13 1476, Wilson – Van Den Boeynants, 1 Feb. 1967

<sup>54</sup> Sir Michael Palliser, Interview with author, 18 Sept. 1999

<sup>55</sup> PRO PREM13 1484, Wilson comments on Chalfont to Wilson, 19 July 1967

<sup>56</sup> PRO PREM13 1486, Reilly to Gore-Booth, 26 Oct. 1967; *The Times*, 'De Gaulle rules out early negotiations with Britain', Charles Hargrove, p.1, 28 Nov. 1967

that he was planning to do so early in 1968.<sup>57</sup> Devaluation provided a useful pretext, but simply brought forward the verdict. Britain's economic weakness enabled de Gaulle to justify his veto in terms that were understandable to European opinion, as problems with sterling had formed a major doubt in the Commission's Opinion.<sup>58</sup> Although de Gaulle's objections were clearly political, he was able to elude major repercussions of an unjustifiable expulsion.

Simply, the British were acting alone in hoping for the early opening of negotiations. In practical terms, if de Gaulle was insensitive to currents of opinion, there was little the Five could or would do to bring pressure to bear. There was no decisive reason why the Five should initiate a breach with the French for the sake of short-term accession. In fact, a Franco-German rupture over British accession could undermine European security and jeopardise the intention to keep the Atlantic Alliance together despite French actions. The Germans feared that pressuring de Gaulle too hard would cause him to leave the Alliance.<sup>59</sup> In this way, the Germans were able to play a double-game of moving towards American aims in NATO and in non-proliferation, while sustaining strong Franco-German links. Furthermore, the Americans did nothing to help Britain secure the opening of negotiations in the short-term. Although the US had pressured for Britain to show her hand in favour of accession in the summer of 1966, the US also wanted to avoid cleavage in the

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<sup>57</sup> PRO PREM13 1486, Reilly to Gore-Booth, 26 Oct. 1967

<sup>58</sup> Commission's Opinion, 29 Sept. 1967, paras 81-82, 99, 95, Kitzinger, *Second, op.cit.*, pp.248-250

<sup>59</sup> PRO PREM13 1477, Wilson – Kiesinger, 15 Feb. 1967; PRO PREM13 1527, Wilson – Kiesinger, 23 Oct. 1967

Community.<sup>60</sup> Despite de Gaulle's reluctance to veto decisively, this thesis suggests that Britain's second application was never going to bring short-term success. This does not mean that the British knew this, as Wilson and Brown almost certainly thought there were prospects for accession. Treatment of the conditions of membership was extremely good and bilateral diplomacy reasonable. Britain's economic and political weakness was the main reason, ironically, for both the launch and the failure of the initiative.

Following his press conference, de Gaulle was decisively isolated amongst the Six. It was quite clear in the Council of Ministers on 19 December that only de Gaulle opposed the opening of negotiations.<sup>61</sup> The Five maintained that European unity was realisable only through enlargement, itself indicative of the shift in thinking about the potentials for East-West détente.<sup>62</sup> Thus, in the long-term, there was little doubt that Britain would join after de Gaulle's departure. Britain's bid had success in building support for eventual accession and in encouraging the prevalence of Atlanticist conceptions of Europe's organisation.<sup>63</sup> Work on Britain's negotiating objectives also formed the basis of the subsequent, successful entry bid.<sup>64</sup> However, Wilson's application was not a success. Britain's objectives at the turning point of July 1966 were to preserve the parity of the pound and to seek membership of the EEC. By December 1967, both had failed. Furthermore, Cabinet's decision in December that Britain must persist with membership was reluctant.<sup>65</sup> Agreement reached in the wake of devaluation and the veto in December did

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<sup>60</sup> *FRUS*, Western European Region, 1964-1968, vol.xiii, no.280, Rusk to State Department, 13 Dec. 1967

<sup>61</sup> PRO PREM13 1488, Brussels to FO, tel.421, 19 Dec. 1967

<sup>62</sup> PRO PREM13 1488, Brussels to FO, tel.763, 20 Dec. 1967

<sup>63</sup> Ludlow, 'EC Response', *op.cit.*

<sup>64</sup> Hannay, *O'Neill, op cit.*, p.10

not imply a whole-hearted endorsement of Britain's future membership of the EEC.

The third and final set of conclusions seeks to elucidate the place of European membership in Britain's foreign policy and consequently in Britain's continued disengagement from the former bases of her power. Did Britain lose an Empire and find a role? Was Britain's choice of Europe a revolution in policy, as Reynolds has argued, or a shift in tactics designed to secure traditional goals?<sup>66</sup> Part of this problem is clearly the debate as to why Britain withdrew forces from the Far and Middle East, to which this study has not explicitly sought to contribute.<sup>67</sup> Yet, it does add to the general appreciation of the significant problems involved in extrication from a world role.

The Labour government wanted to stay in the Far and Middle East and aimed to preserve the parity of sterling and sterling's role as a reserve currency. It is less clear that these goals represented a delusion of Britain's grandeur.<sup>68</sup> Rather, the British sought to reap the influence bought by these extra-European policies for as long as possible and hoped to control the circumstances of ultimate withdrawal. There were also practical reasons for delaying the end of a world role. In the Far East, Confrontation and the war in Vietnam hardened the reasons for staying, while the risk of Chinese incursion augmented the importance of avoiding a hasty dismissal.<sup>69</sup> Desire to avoid devaluation resulted in part from the prestige associated with the value of the

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<sup>65</sup> PRO CAB128 42, CC(67)69<sup>th</sup>, 30 Nov. 1967; CC(67)73<sup>rd</sup>, 20 Dec. 1967

<sup>66</sup> Reynolds, *Britannia*, *op.cit.*, p.217; Young, *Britain*, *op.cit.*, pp.165-183

<sup>67</sup> On this debate, Pickering, *East of Suez*, *op.cit.*, pp.1-17

<sup>68</sup> For an example of this school of thought, Reynolds, *Britannia*, *op.cit.*, p.190,213

pound, but it was also a plausible objective to avoid the political weakness that devaluation would bring.<sup>70</sup> The French attempts to encourage the end of sterling's role as a reserve currency through wrecking tactics in international liquidity talks, added to the French challenge in NATO, gave a strategic concern to avoiding devaluation. The British were also amenable to suggestions as to how to run down the sterling balances, but could find no acceptable alternative to guarantee the holders of sterling their money. The end of Britain's global role was therefore more complex than failure or refusal to understand rapidly enough the new economic realities of Britain's power.<sup>71</sup> The British did understand that economic decline would bring the end of Britain's world role, but sought to control that end and recognised the significant practical problems of speedy withdrawal.

Turning to Europe was part of these general shifts, but it was not an integral part. Labour's policy towards the Community and towards Britain's role in the world can be arranged into four broad phases, creating the impression of a disjointed policy transition. Central to each was economic failure. There are two main points: policy reorientation was not inevitable, nor was it planned. On taking office in 1964, the government clearly anticipated that it would be impossible to sustain all of its current defence roles, but left open the decision as to which would be cut.<sup>72</sup> The Foreign Office recognised that the future exercise of Britain's military role would have to be in Europe, but wanted to sustain Britain's defence commitments in the Far East for as long as this brought political influence to Britain. The essential balance was

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<sup>69</sup> PRO CAB148 17, OPD(64)10, Policy in South East Asia, Foreign Secretary, 11 Nov. 1964

<sup>70</sup> PRO PREM13 854, Trend to Wilson, 19 July 1966

<sup>71</sup> For example, Northedge, *Descent, op.cit.*, pp.328-352

<sup>72</sup> PRO CAB128 39, CC(64)11<sup>th</sup>, 26 Nov. 1964

between staying too long and withdrawing too fast.<sup>73</sup> The government was committed to promoting growth through the National Plan and through the regeneration of ties with the Commonwealth. By the election in March 1966, Rhodesia and the economic difficulties of promoting links with the Commonwealth meant that this aspect had lesser importance in the government's thinking.<sup>74</sup> The first steps towards a reconsideration of Britain's policy to the EEC had been taken, but the meaning of this decision was far from certain.

Secondly, the July 1966 sterling crisis brought to an end the government's aspirations under the National Plan. In order to sustain the parity of the pound, the government opted for a stringent deflation that would mean low growth, undermining public confidence in planning.<sup>75</sup> The European initiative was born from this crisis for the reasons explained above, but this was no policy revolution. The decision was grounded in the defence of sterling and was followed by a decision against complete withdrawal of Britain's commitments East of Suez. Despite reductions in troops going beyond the February defence review, Britain would sustain the principle of a role in the Far and Middle East.<sup>76</sup>

Third, in April 1967 continued pressure of resources, added to the Defence Secretary's anger at the repeated changes of direction, led to a decision to accelerate the withdrawal of Britain's forces from Singapore and Malaysia. This was still not a decision in principle to withdraw commitments as the British wanted to retain a force in Australia, but the effect was to reduce

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<sup>73</sup> PRO CAB148 10, DO(O)(S)(64)42, Defence and Overseas Policy Committee, Report of the Long Term Study Group, 23 Oct. 1964

<sup>74</sup> PRO PREM13 904, Wilson comments on Stewart to Wilson, 10 Dec. 1965

<sup>75</sup> PRO CAB128 46, CC(66)37<sup>th</sup>, 19 July 1966

significantly the Far East as a central part of Britain's foreign policy role.<sup>77</sup> The Australians, Singaporeans and Malaysians were unhappy at Britain's decision, as was the USA.<sup>78</sup> As a result, Britain's turn to Europe came to assume greater importance in Britain's foreign policy. The government had not systematically planned this transition: the two decisions were both separate responses to the pressures generated by the sterling crisis. The increased importance of Europe was evident in the Cabinet's discussions as Wilson emphasised that continued reliance on the USA would result in Britain's subordination to American policy in Vietnam.<sup>79</sup>

Fourth, devaluation and confirmation of the veto brought Cabinet recognition that Britain would seek European membership in the longer-term.<sup>80</sup> Crossman recorded that the decision was uncontroversial, with nobody willing to challenge the new Chancellor Jenkins.<sup>81</sup> It did not therefore represent a collective and positive endorsement of a European future, even as Britain's options narrowed after devaluation. Deciding to pursue EEC membership was followed by further acceleration of the timetable for retrenchment early in 1968.<sup>82</sup> Each of the decisions was reached within its own specific context and did not represent a planned, nor an inevitable, transition. Thus, Britain's policy towards the European Community from 1964-1967 was no deliberate revolution, but a reluctant and disconnected response to economic crisis and resultant domestic political pressure. By the

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<sup>76</sup> PRO CAB130 301, MISC129(66)1<sup>st</sup>, 22 Oct. 1966

<sup>77</sup> PRO CAB128 42, CC(67)23<sup>rd</sup>, 27 Apr. 1967

<sup>78</sup> PRO PREM13 1480, Wilson – Johnson, 25 Apr. 1967

<sup>79</sup> PRO CAB128 42, CC(67)26<sup>th</sup>, 30 Apr. 1967

<sup>80</sup> PRO CAB128 42, CC(67)73<sup>rd</sup>, 20 Dec. 1967

<sup>81</sup> Crossman, *Diaries*, vol 2, *op.cit.*, p.614, 20 Dec. 1967

<sup>82</sup> On this, Pickering, *East of Suez*, *op.cit.*, pp.165-171

end of it, and largely because of changes in other areas of policy, Europe had come to assume much greater significance in Britain's overseas role.

These observations bring this study back to Young's interpretation of Britain's policy and to Stewart's question posed at the beginning of these conclusions. The main reason for Wilson's initiative was domestic and this of course raises the multiplicity of questions about Britain's future role. As Young shows, European membership was not alone enough to solve the problems of the changing position of Britain in the world. Even if Britain had wholeheartedly and unanimously entered the EEC in 1967, the problems of post-war British policy would not have been solved. EEC membership was only one part of the solution to a much larger problem.

The disjointed foreign policy reorientation does indicate that there was no overarching strategy to Britain's shifting world role. However, this thesis suggests that the British should not be unduly criticised for the lack of direction to their policies. The fact that Britain's future role was a central part of current decisions meant that policy makers had multiple opposing views of the path that Britain should take. It was precisely because the EEC membership decision involved open discussion about Britain's identity and future that genuine consensus could not be reached.

In fact, this thesis shows that Britain's policy in the late 1960s was as good as could be expected given that Britain had been forcibly excluded from the EEC. The initiative built and kept support, sounded sympathetic to European opinion and helped to narrow de Gaulle's options in his anti-Atlantic policies. This does not suggest that Britain's policy was always an



entirely rational expression of Britain's national interest. It was not: the whole initiative was not entirely rational as it was widely acknowledged that de Gaulle was likely to veto. This also does not suggest that Britain's policy was successful. Clearly, it was not: the British failed to control the withdrawal from Empire, failed to sustain the parity of sterling and failed in the short-term to get into the EEC. But the very nature of the decision enmeshed the problems of diplomacy and economics with the problems of domestic politics and this in turn marked a transition in the history of Britain's relations with the EEC. For national political parties, how could the EEC replace the post-war international settlement as the base for the future exercise of Britain's policies and power? How should Britain's identity now be expressed? Wilson had to make the application, but the fact that his heart and mind was not fully committed has come to assume real significance in the continued management of Britain's post-war political and economic decline.

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CAB148 Defence and Overseas Policy Committee  
CAB164 Cabinet Office  
EW5 Department of Economic Affairs External Relations Division  
EW24 Department of Economic Affairs Economic Planning Group  
EW27 Department of Economic Affairs Industrial Division  
FO371 Foreign Office General Correspondence to 1966  
FCO7 Foreign and Commonwealth Office United States and Latin American Department  
FCO30 Foreign and Commonwealth Office European Economic Integration Department from 1967  
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